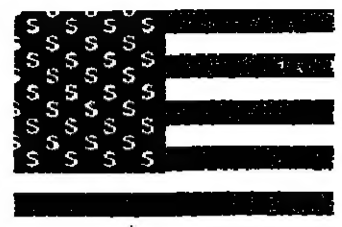
هكذا من الاصل

# FINANCIAL TIMES

**Serbia**
*Behind the unrest in Belgrade*
Page 3

**Telecoms**
*Wireless systems rewrite the rules*
Technology, Page 12

**Trade**
*Can Europe compete?*
Martin Wolf, Page 16



**US economy**
*The interest rate debate*
Page 6

World Business Newspaper http://www.FT.com TUESDAY DECEMBER 17 1996

## Kuwait oil group in line for $610m Gulf War payout

Kuwait Oil Co is in line to receive $610m in compensation for the cost of quenching some 700 oil well fires started by retreating Iraqi troops as the 1991 Gulf War ended. Western diplomats expect the award – recommended by international arbitrators – to be endorsed today by the UN's compensation commission. Page 18

**Bank of England attacked:** One of the strongest attacks yet on the way the Bank of England handled the collapse of merchant bank Barings will be launched tomorrow by an influential committee of British legislators. Page 18

**Argentaria float makes progress:** Argentaria, the bank group 25 per cent owned by the Spanish government, will be ready for complete privatisation in a year, said chairman Francisco González. Its shares gained Pta170 to finish at Pta5,540. Page 19; World stocks, Page 36

**Racing chief faces manslaughter trial:**

Formula One motor racing team chief Frank Williams, left, and five other people will go on trial in Italy in February charged with manslaughter over the death of Brazilian driver Ayrton Senna. The case will be heard in Imola, where Senna was killed in a crash as he drove his Williams car in the 1994 San Marino Grand Prix. The charges have been strongly denied.

**US industrial output** jumped by 0.9 per cent last month after a 0.2 per cent drop in October, when many auto plants were hit by parts shortages caused by the General Motors strike. Page 6

**Role for Yeltsin's daughter:** Tatyana Dyachenko, influential daughter of Russian president Boris Yeltsin, is likely to be appointed formally as a Kremlin aide, according to an article in a Moscow daily close to the country's leaders. Page 3

**Norway's oil minister quits:** Norway's oil and energy minister Grete Faremo has resigned over a scandal about the intelligence service's surveillance work dating from when she was justice minister. Page 3

**Saddam's son 'flown abroad':** Iraqi president Saddam Hussein's son Uday is to be flown to Switzerland for treatment after he was shot last week, according to the London-based international Arabic newspaper al-Hayat. The paper said relatives of Saddam Hussein's son-in-law Hussein Kamel, who was killed earlier this year soon after returning from exile, were being arrested.

**Speedy calculator:** Chip maker Intel has built the world's fastest computer, a prototype capable of performing 1,000bn calculations a second. That is almost three times faster than the previous record-holder, a computer built by Japan's Hitachi. Page 6int

**Blow to Japan's opposition:** Former Japanese prime minister Tsutomu Hata is leaving the main opposition party to form a rival political group. Mr Hata, a key figure in the New Frontier Party, had fallen out with NFP president Ichiro Ozawa. Page 18

**Morgan Grenfell arm to pay out:** Morgan Grenfell Asset Management is set to pay about £200m compensation to some 90,000 investors hit by losses resulting from the mismanagement of three unit trusts. Page 19

**Hollinger stake for Brierley:** Conrad Black's Hollinger group is to sell its 25 per cent stake in John Fairfax Holdings, the Australian newspaper publisher, to New Zealand-based group Brierley Investments. Page 19

**Passing of a perfume king:** Jean-Pierre Guerlain, former chairman and chief executive of the French cosmetics and perfume company which bears his name, died at the age of 92.

**South African-born writer dies:** Sir Laurens van der Post, the South African-born traveller, writer and mentor of England's Prince Charles, has died at his London home, aged 90. Obituary, Page 6

**FT.com:** the FT web site provides online news, comment and analysis at http://www.FT.com

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| **New York lunchtime** | | |
| Dow Jones Ind Av | 6,323.32 | (+18.45) |
| NASDAQ Composite | 1,281.10 | (-3.81) |
| **Europe and Far East** | | |
| CAC40 | 2,222.57 | (+19.16) |
| DAX | 2,855.79 | (+56.08) |
| FTSE 100 | 3,993.8 | (+21.4) |
| Nikkei | 20,422.04 | (+80.65) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds | 5¼% |
| 3-mth Treas Bills: Yld | 4.913% |
| Long Bond | 98½ |
| Yield | 6.605% |

**OTHER RATES**

| | | |
|---|---|---|
| UK: 3-mo Interbank | 6⅜% | (6⅜%) |
| UK: 10 yr Gilt | 99⅞ | (99⅜) |
| France: 10 yr OAT | 105.12 | (105.02) |
| Germany: 10 yr Bund | 102.69 | (102.63) |
| Japan: 10 yr JGB | 104.1143 | (104.112) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent Dated | $24.075 | (22.87) |

**GOLD**

| | | |
|---|---|---|
| **New York: Comex** | | |
| Feb | $369.9 | (370.4) |
| **London:** | | |
| close | $368.85 | (369.2) |

**DOLLAR**

| | | |
|---|---|---|
| **New York: lunchtime** | | |
| £ | 1.6637 | |
| DM | 1.5485 | |
| FFr | 5.228 | |
| SFr | 1.3235 | |
| Y | 114.105 | |
| **London:** | | |
| £ | 1.6619 | (1.6581) |
| DM | 1.5534 | (1.5466) |
| FFr | 5.2423 | (5.2217) |
| SFr | 1.327 | (1.3159) |
| Y | 114.05 | (113.83) |
| Tokyo close: | Y 113.90 | |

**STERLING**

| | | |
|---|---|---|
| DM | 2.5816 | (2.5644) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Albania | LEK 275 | Gibraltar | £0.75 | Lithuania Lts | 18.00 | Qatar | QR13.00 |
| Austria | Sch37 | Greece | Dr400 | Lux | LFr75 | S.Arabia | SR13 |
| Bahrain | Din1.300 | Hong Kong | HK$20 | Malta | Lm0.70 | Singapore | S$4.30 |
| Belgium | BFr75 | Hungary | Ft270 | Morocco | MDh18 | Slovak Rp | SK75 |
| Cyprus | C£1.30 | Iceland | IK250 | Neth | Fl 4.75 | S. Africa | R12.00 |
| Czech Rp | Kc70 | India | Rs75 | Nigeria | Naira125 | Spain | Pta250 |
| Denmark | DKr20 | Israel | Shk9.00 | Norway | NKr22.00 | Sweden | SKr20 |
| Egypt | E£5.00 | Italy | L3200 | Oman | OR1.75 | Switz | SFr3.70 |
| Estonia | EKr 28 | Japan | Y500 | Pakistan | Rs50 | Syria | S£90.00 |
| Finland | FM18.00 | Jordan | JD1.75 | Poland | Zl 8.00 | Tunisia | Din2.000 |
| France | FFr12.00 | Kuwait | Fils.750 | Portugal (inland) | | Turkey | L120,000 |
| Germany | DM4.00 | Lebanon | L£500 | | Es295 | UAE | Dh13.00 |

# EU warned over policing Emu

## Bundesbank says stability pact must protect against political interference

By our Foreign and Financial Staff

The European Union must use its new stability pact to minimise political interference in the policing of economic and monetary union, a senior Bundesbank director said yesterday.

Mr Otmar Issing said the agreement reached in Dublin was a step in the right direction, but needed further refinement to ensure that monetary union was stable and durable.

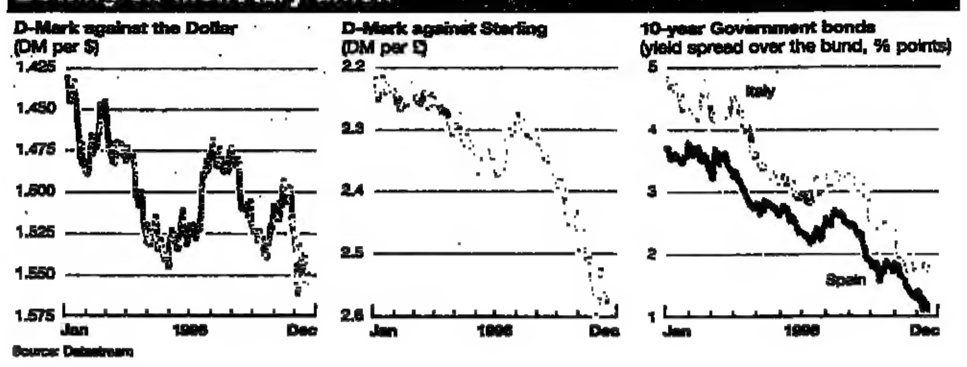
"The hard task ahead will be to implement the pact in such a way that it will be difficult to make purely political decisions" about countries that run excessive budget deficits. "The debate is not yet over," he said in an interview with the Financial Times.

His comments underline that Germany will continue to press for fiscal rectitude in the euro area and that the debate between Germany and other potential Emu members on securing stability is far from over.

It was only after marathon negotiations that EU leaders agreed on a system of penalties and trigger points, to restrain members of the future European economic and monetary union from undermining its stability by running deficits above 3 per cent of gross domestic product.

The D-Mark fell yesterday on news of the pact, because traders believe it is now more likely to merge into the euro, which is expected to be a weaker currency than the D-Mark has been.

**Betting on monetary union**



Source: Datastream

In an indication of the likely differences over policing of Emu, Mr Jean Arthuis, French economics and finance minister, said in an interview in the Tribune newspaper that control of the euro should be adaptable in the case of "accidents", and it was important that the compromise agreed in Dublin left the Ecofin council with sovereignty.

He said he had "not the slightest doubt" about the creation of a council for stability and growth which would act as a political counterweight to the future European central bank.

Mr Issing, a senior member of the Bundesbank's decision-making central council, said, however, that such a development would be worrying, although he added he was not opposed in principle to the idea of a stability council in which Emu finance ministers would discuss matters of joint fiscal interest.

Mr Issing gave only qualified support to the Dublin compromise in which Germany's wish for automatic sanctions was diluted by its EU partners. "Unrestrained automaticity would not have been possible, but one cannot be satisfied with a decision mechanism in which potential sinners pass judgment on actual sinners."

He expressed concern that the future independent central bank, to run monetary policy in the euro area, could be overburdened in carrying out its task of maintaining price stability. "The danger that too much pressure would be put on the monetary policy of the European central bank has not been eliminated."

He added that "the important message" in the draft pact was the aim of a balanced budget in Emu member states over the medium term. "If you take that seriously, this is a huge step forward."

He said it was a distortion to brand the stability pact simply "a Teutonic demand". The countries that would benefit most would be the smaller members of Emu who stood to suffer most if the larger member countries broke the Maastricht rules.

European markets made modest gains on the news.

Preparing for Emu, Page 2;
Currencies, Page 25;
Bonds, Page 24;
Veto threatened, Page 10

# Boeing feared defence bid by McDonnell

By Richard Waters in New York and Bernard Gray in London

Boeing moved swiftly to buy McDonnell Douglas because it feared that its US aerospace rival was about to bid for the defence operations of Hughes Electronics, it emerged yesterday.

Wall Street, meanwhile, greeted with enthusiasm Boeing's success in sealing a takeover of McDonnell, after two failed attempts in two years. By lunchtime in New York, McDonnell's shares were trading at $62¾, up $10¾, or 21 per cent, from Friday's close. Boeing's shares were up $5¼ at $102.

In Europe, there were conflicting views on the impact of the $13bn-plus deal for Airbus Industrie, Boeing's only remaining rival in the large commercial aircraft business. The merged group will be the world's leading aerospace and defence company with projected revenues next year of $48bn (£29bn).

McDonnell is understood to have been planning to submit a bid for the Hughes operations by an auction deadline set for last Friday. General Motors, Hughes's owner, is believed to be seeking between $8bn and $10bn for the business.

It was after he heard of McDonnell's likely bid 10 days ago that Mr Philip Condit, Boeing's chief executive, is thought to have rushed ahead with an attempt to seize control of McDonnell.

Boeing would have viewed McDonnell as a less attractive takeover candidate had it pulled off a deal with Hughes. Boeing did not want a larger defence electronics business, but did want to consolidate its position in military aircraft with McDonnell's existing portfolio.

Mr Condit told Wall Street analysts yesterday that Boeing, which has been intent on building up its defence operations to balance its more cyclical commercial aircraft side, will not itself make a bid for the Hughes business.

In Europe, Airbus, the four-nation airliner consortium, tried to play down the implica-

Continued on Page 16;
Cruising at dizzy heights, Page 17;
Editorial comment, Page 17;
Observer, Page 17

What goes up ... investors in Shanghai watch in amazement as stock prices plummet, after warnings of a meltdown Reuters

# Anti-speculation move hits China markets

By Tony Walker in Beijing

China's fledgling equities markets crumpled yesterday – dropping 10 per cent, the maximum permitted – after the authorities announced a crackdown on speculation and market manipulation.

Beijing's latest attempts to dampen investor enthusiasm drew protests from brokers and will further shake confidence in China's experiment in building capital markets.

The Shanghai and Shenzhen bourses plummeted within moments of the markets opening after a stern editorial in the People's Daily, the Communist party newspaper, warned of a meltdown.

The paper recalled the Wall Street crash of 1929 which foreshadowed the Great Depression, and said investors should be aware "stock rallies are bound to lead to stock crashes". The authorities fear a collapse will cause social unrest.

The People's Daily blamed a flood of "hot money" from bank loans for this year's speculative bubble. It said strict measures would be enforced to stop credit being used to fuel speculative share trading. The Shenzhen composite index for A- and B-shares has risen 340 per

Continued on Page 18

# Scania warns French truck strike could hit earnings

By Hugh Carnegy in Sao Paulo and Haig Simonian in London

## 1997 production figures likely to be 15% lower

Mr Leif Ostling, chief executive of Scania, the Swedish truck and bus group, yesterday warned that last month's French truck drivers' strike could affect fourth quarter earnings.

The company also said production in Europe in the first quarter of 1997 would be about 15 per cent lower than in the same period this year because of greater market uncertainty.

Mr Ostling, speaking during a visit to Scania's operations in Brazil, said the strike had badly affected cashflow at many European hauliers and could affect demand next year.

"Transporters are very sensitive to cashflow because they typically have low equity levels. Many of them – especially in France – are probably hesitant after the strikes [to place new orders]."

The dispute occurred just as Scania started shipping 500 of its new 4-series trucks to dealers. Production had already been delayed at its plant in Angers, France.

"We had 300 units ready which we couldn't ship or which were being transported and were trapped by the strike. That very much hit our ability to supply France, Spain, Italy and Portugal."

Other car and truckmakers had warned the strike could affect production but many appear to have survived unscathed. Mr Stefan Lorentzson, a spokesman for Scania's arch-rival Volvo, said the strike had not had an effect.

Some analysts thought Scania was using the strike to prepare investors for another poor quarter after disappointing results following its SKr36bn ($5.29bn) flotation last April.

Scania's pre-tax profits fell from SKr706m in the third quarter of 1995 to just SKr40m in the same period this year, chiefly because of delays in shifting to 4-series production.

The warning about the strike "will lead to further disappointment among investors and, although altogether outside management control, is another reminder of the volatile nature of this industry", said Mr John Lawson, motor industry analyst at Salomon Brothers in London.

Mr Ostling said Scania was pressing ahead with a productivity drive which could mean up to 1,800 job losses from a European workforce of 19,000 over the next three years.

In South America, Scania is in the middle of a $300m four-year programme to double annual production to 20,000 vehicles.

## CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

# Currency scheme loses UK link

By Clay Harris in London and Davrell Roberts Tien in Stockholm

A British company closely linked to Fairbank, a currency trading scheme under investigation by Sweden's serious economic crimes squad, has withdrawn its application for authorisation by a UK financial regulator.

This removes a UK link which had allowed Fairbank to claim a degree of temporary regulatory protection.

Fairbank has marketed a high-risk currency speculation scheme to ethnic Chinese private investors in Sweden, many of whom have complained about incurring losses.

London-based Currency Exchange Services (CES) had supplied foreign exchange prices by telephone to Fairbank, kept its records and acted as its agent, according to Mr Kenneth Yeung. Mr Yeung is director of CES and "alternate director" of Currency Exchange Stockholm, Fairbank's official name.

CES has now withdrawn its application to the UK's Securities and Futures Authority for authorisation to arrange "rolling spot" trades – rolled-over forward contracts of seven days or less. While its application was being processed, CES was able to continue to operate legally in the UK.

The withdrawal, effective yesterday, means CES has had to cease any investment business. Staff in Fairbank's Stockholm office confirmed that calls were no longer being answered in London.

Fairbank does not have permission to trade currencies in Sweden, but regulators there have admitted they were unclear whether its local activities required such approval.

A Swedish prosecutor launched an official investigation last week after Fairbank's activity was exposed in the Financial Times and the Swedish newspaper Dagens Nyheter.

In Stockholm, Mr Dannis Cheung, Fairbank's director, was under pressure to return investors' money. The location of most of Fairbank investors' funds, conservatively estimated at more than SKr10m ($1.5m), is unclear. Fairbank typically moved investors' funds out of the country within two weeks of deposit.

Mr Cheung, a UK citizen, ran Pagoda, a similar scheme being investigated by the UK's Serious Fraud Office over the alleged misuse of investors' funds.

# UK pushes for equal access to Target

**Preparing for Emu**

The Bank of England yesterday stepped up its pressure for all European Union countries to have equal access to the proposed Target payments system for the planned single currency. In a speech in Brussels, Mr Howard Davies, the bank's deputy governor, said restricting full access to countries within the single currency area would encourage banks elsewhere in the EU to find risky ways of getting round the restrictions.

Germany and France have argued that Target – which will link wholesale payments systems to allow instant transfers of euros, the proposed single currency, throughout the EU – will be linked inextricably to monetary policy within the single currency area. Countries outside monetary union, therefore, should not have the same access to it as countries inside.

Mr Davies said that this would "negate one of the main purposes of the whole exercise, to reduce the risk inherent in systems in which banks are exposed to each other for a period of hours".

In its latest report on UK preparations for European monetary union, published yesterday, the bank spelt out the steps being taken in the City of London to ensure that Britain will be ready to handle the euro when it is introduced in 1999.

It said progress had been made to ensure the UK's financial markets and bank payments systems would be ready to embrace the euro even if Britain did not take part in the single currency. But, it said there had been no resolution to the Target debate even though its view was held by the majority of EU countries.

It said it would be working to reach agreement on the Target issue before the European central bank came into existence in spring 1998. But if no agreement were reached, it would seek to set up a rival payments system which would ensure that UK banks had proper access to the euro.

The bank's latest report confirmed that preparations for the euro in the UK have so far focused on wholesale financial markets. For the first time, however, it published a long checklist of issues important for Britain's retail financial sector so that UK clearing banks would be able to cope with euro cheques and offer euro bank accounts after 1999.

The bank published the findings of its working party set up to examine how the UK government bond, or gilt, market might have to be reformed in response to Emu. It concluded that all of the outstanding stock of UK gilts should be redenominated into euros as soon as possible if Britain joined Emu and that gilt prices should be quoted in decimals rather than fractions. However, it said interest payments on gilts should be made in pounds during the transition period, and that interest payments should be paid semi-annually whether the UK were in or out.

**Graham Bowley**

## Financial derivatives business set to shrink with advent of monetary union

# Exchanges square up for a fight

By Samer Iskandar in London

As European economic and monetary union threatens to shrink the amount of business in listed financial derivatives, Europe's leading exchanges are expected to fight fiercely for market share.

Mr Gérard Pfauwadel, chairman of the French derivatives exchange Matif, expects "substantial modification in the landscape of futures and options exchanges in Europe".

The battle between the Matif, DTB in Frankfurt and Liffe in London is likely to be toughest over short-term interest rate contracts and, to a lesser extent, medium and long-term bond futures.

"The shorter the maturity, the more vulnerable the contract", said Mr Jörg Franke from the DTB.

Because benchmark interest rates on the euro will be set by the future European Central Bank, existing rates on individual currencies will disappear, suppressing the need for instruments such as Liffe's and DTB's euromark instruments and Matif's Pibor – futures and options on one- and three-month rates on the D-Mark and French franc.

Liffe hopes that by converting D-Mark contracts into euros, it will retain its leadership. Matif has come up with similar measures to ensure a smooth transition from its franc-denominated Pibor contract to a euro benchmark.

Bond futures and options are also expected to undergo significant changes. The convergence of economies imposed by Emu will drive bond yields closer together, but small differences will remain, reflecting (among other factors) differences in the perceived liquidity and credit quality of each market.

Most existing bond products should continue to trade, but in smaller volumes. However, liquidity will shift to one benchmark contract, which will act as a proxy for all bonds denominated in the euro.

This contract will be used by market participants to hedge against general moves in bond prices. The smaller national contracts will provide protection against the risk of one country's bonds moving relative to those of other countries – for example, when French bonds move relative to German bunds because of political uncertainty or diverging economic fundamentals.

But not all derivatives will be subject to competition. The only predictable effect of Emu on futures and options on individual shares and indices of national stock markets, for example, will be the shift to clearing and settlement in euros.

This situation is favourable to DTB, which relies more on equity derivatives business than its French and UK competitors, which are more specialised in interest rate products.

DTB also has the advantage of screen-based trading, a much cheaper trading system than open outcry – although proponents of pit trading claim it provides better liquidity.

All three exchanges are convinced that offering the widest array of products will prove to be an effective competitive tool, hence Liffe's and DTB's quasi-simultaneous decisions last month to start listing futures on one-month rates.

DTB went even further last week, announcing a future on two-year rates. And Matif is considering a product based on very short rates – possibly overnight rates in order to differentiate it from its competitors' one-month contracts.

There is no doubt that gaining market share in the run-up to Emu will boost an exchange's chances of winning the fight for European dominance. In their latest attempts at increasing trading volumes, all three exchanges have initiated links with foreign markets.

Both Liffe and Matif have chosen the Chicago Mercantile Exchange to offer their contracts to US traders. CME members will, as a result, soon have access to Liffe's three-month interest rate contracts on D-Marks, as well as Matif's futures on 10-year French bonds.

In a similar move, the DTB has accelerated its installation of overseas terminals offering access to its listed contracts. Last week, it announced a strategic alliance with the Swiss exchange – which is also based on electronic trading – aiming to create a common platform for trading and clearing.

### The futures whose futures are in doubt

**In jeopardy: short-term interest rate products**

| Instrument | Volume* Futures | Options | Expected effects of Emu |
|---|---|---|---|
| 1-month D-mark (Liffe) | 18,044** | – | Both contracts will compete for European dominance of their sector. The possible launch by Matif of a short-term FFr product would intensify the competition. |
| 1-month D-mark (DTB) | 49,426*** | – | |
| 3-month D-Mark (Liffe) | 2,793,448 | 451,202 | Intense competition is expected in this sector, the most liquid area of the short end of the yield curve. It is very likely that there will be room for only one successful contract. |
| 3-month D-Mark (DTB) | **** | – | |
| 3-month FFr (Matif) | 1,019,047 | 221,842 | |
| 3-month eurolira (Liffe) | 727,392 | 134,390 | Likely to disappear if and when Italy joins Emu. |
| 3-month Ecu (Liffe) | 37,597 | – | Likely to disappear as soon as 3-month D-Mark or FFr becomes the benchmark for euro 3-month rates. |
| 3-month sterling (Liffe) | 1,541,634 | 260,118 | Likely to disappear or be merged with Liffe's 3-month D-Mark if this becomes the European benchmark. (Subject to the UK joining Emu.) |
| 3-month Swiss Fr (Liffe) | 328,030 | 2,876 | Unaffected by Emu. |
| 3-month euroyen (Liffe) | 20,404 | 972 | |

**Under moderate threat: medium and long-term bond contracts**

| Instrument | Volume* Futures | Options | Expected effects of Emu |
|---|---|---|---|
| German LT bund (Liffe) | 3,285,285 | 650,104 | Will compete with DTB's bund contract and Matif's notional and Ecu for European dominance. |
| German LT bund (DTB) | 1,561,739 | 29,697 | Will compete with Liffe's bund and Matif's notional and Ecu. |
| German Bobl (DTB) | 1,658,763 | 96,991 | Set to become the European benchmark future on medium-term (3-5 year) bonds, unless Matif and Liffe come up with similar products. |
| Italian BTP (Liffe) | 1,403,137 | 286,594 | Likely to suffer fall in liquidity if and when Italy joins Emu. |
| Long gilt (Liffe) | 1,779,742 | 183,066 | Will compete with bund and notional for European dominance if and when the UK joins Emu. |
| Japanese bonds (Liffe) | 94,610 | – | Unaffected by Emu. |
| French notional (Matif) | 2,500,162 | 650,291 | Both of Matif's bond products will compete with Liffe's bund and DTB's bund. Matif has yet to decide whether to merge them into a single product after Emu. |
| Ecu long bonds (Matif) | 40,502 | – | |

* Number of contracts traded in November 1996. ** Contract opened on November 21, 1996. *** Contract opened in mid-November 1996. **** Will start trading in early 1997.

# Pact sets rules for ins and outs of ERM

By Lionel Barber in Brussels

The Dublin summit agreement on a budget stability pact for countries in the euro zone captured weekend headlines, but financial markets should not overlook a second EU pact governing currency discipline.

Agreement on operation of the revamped exchange rate mechanism is an important step towards resolving a highly sensitive political issue: how to regulate the relationship between "ins" and "outs" in the future monetary union.

The new ERM is based on a "hub and spokes" concept, which means the euro will anchor the system and countries outside will target their currencies against the euro only. The idea is to extend the zone of currency stability to outsiders.

This approach modifies the tradition of the old ERM set up in 1979 to minimise currency fluctuations. Here, each participating currency has a central rate against the Ecu (the basket of national currencies), which in turn allows a system of bilateral central rates to be calculated covering all currencies.

The old ERM set fluctuation margins of 2.25 per cent for stronger currencies and 6 per cent for weaker ones, but it virtually collapsed in August 1993 under a wave of speculation against the Spanish peseta, the Portuguese escudo and, latterly, the French franc.

EU leaders reacted with a typical piece of EU improvisation, expanding the fluctuation bands to 15 per cent either side of the central rate to avoid offering a fixed target to the markets.

ERM 2, which is due to come into force on January 1, 1999, is based on three principles.

● Flexibility. The Emu "outs" – also known in Brussels as the "pre-ins" – will select a central rate for their currency in consultation with members of the euro bloc and the future European central bank. The idea is to set the rate according to an assessment of each country's chances of joining the euro zone.

The standard fluctuation band is not officially set at 15 per cent, but will be "relatively wide, like the present one", according to the Dublin communique. Crucially, non-Emu currencies will be able to choose to target narrower bands, in much the same way as the Germans and Dutch agreed in 1993 to preserve the 2.25 per cent band between D-Mark and guilder.

● Non-coercion. On British and Swedish insistence, membership of the new ERM is not compulsory, though countries outside the euro zone will be "expected" to join. In the same fashion, thanks to the influence of the Bundesbank, the European Central Bank's obligations to support weaker currencies under attack is limited.

Though future intervention is described as "automatic and unlimited", the final agreement states that the ECB and central banks of other countries can suspend intervention if this were to be in conflict with the primary goal of maintaining price stability.

The lessons of the 1992-3 currency crises, when countries such as Britain, Italy, Spain and France held out against a realignment for political reasons, appear to have been absorbed.

**The British have insisted they will not face sanctions if economic policy miscues**

The Dublin agreement states that any adjustment of central rates should be conducted "in a timely fashion" to avoid significant misalignments. All parties, including the ECB, would have the right to trigger confidential talks on a realignment.

● Reinforced convergence. Brussels-speak for the process whereby countries submit their economic programmes to their peers. The principle of ministerial surveillance applies to countries inside and outside the euro zone, and will also apply to Britain if it decides to stay out of Emu or ERM 2.

The British have successfully insisted that they will not face sanctions if their economic policy miscues. According to the agreement, the Council can make "when necessary, non-binding recommendations" to avoid misalignments and excessive nominal exchange rate fluctuations. However, under the Maastricht criteria, countries that allow their exchange rates to fluctuate wildly would not qualify for monetary union.

### Emu: who's going to make it

J P Morgan Calculator 16/12/96

| | Yesterday | 1 week ago | 4 weeks ago |
|---|---|---|---|
| Germany | 100% | 100% | 100% |
| France | 100% | 100% | 100% |
| Belgium | 100% | 100% | 100% |
| Spain | [illegible] | [illegible] | [illegible] |
| Sweden | [illegible] | [illegible] | [illegible] |
| Italy | [illegible] | [illegible] | [illegible] |
| Denmark | [illegible] | [illegible] | [illegible] |
| UK | [illegible] | 37% | [illegible] |

The Emu calculator provides a weekly snapshot of the probabilities which the financial markets place on selected countries being willing and able to join Germany in forming a single European currency in 1999.

Currency strategists at investment bank J P Morgan calculate the probabilities from the interest rate swaps market, in which investors swap floating rate interest payments on an investment for fixed-rate ones.

Countries are selected if they have a liquid swaps market which allows comparable probabilities to be calculated. Finland, Ireland and Portugal will be added to the Emu calculator in the coming weeks.

The probability which the markets place on France can be calculated by looking at the current difference between French franc and D-Mark swap rates and comparing it to the difference you would expect to see if Emu were postponed indefinitely.

The probability of Spain joining the Emu rose sharply after the agreement of the budget stability pact at the European Union summit in Dublin on Friday. The probability placed on Italy also rose.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

هكذا من الأصل

# Yeltsin's daughter 'to be Kremlin aide'

By Chrystia Freeland in Moscow

Ms Tatyana Dyachenko, the influential daughter of Russia's President Boris Yeltsin, is likely to be appointed formally as a Kremlin aide, according to an article published today in Sevodnya, a Moscow daily close to the Russian leadership.

The report is likely to deepen the controversy surrounding Ms Dyachenko, who broke with Russian political custom this year by playing a key role in her father's successful bid for re-election.

Other Russian women, such as Raisa Gorbachev, who have violated the unwritten national taboo on family involvement in politics, have met with a frosty public reception.

Citing Kremlin sources, Sevodnya said that Ms Dyachenko, who already exercises vast informal power as gatekeeper to her convalescent father, could officially join Mr Yeltsin's staff by New Year's day.

Ms Dyachenko's appointment would be likely to strengthen the view that Mr Anatoly Chubais, the Kremlin chief of staff, and a group of seven bankers with whom he is allied, are achieving an increasingly powerful role in the political and economic life of the nation.

Sevodnya is owned by Mr Vladimir Gussinsky, founder of the Most media and banking empire and a member of the close-knit group of seven financiers.

Ms Dyachenko developed an intimate working relationship with Mr Chubais during this year's presidential election, when she acted as liaison between her father and a campaign team headed by Mr Chubais.

The team was funded and convened by the bankers' group.

Mr Yeltsin's third heart attack, shortly before his July election victory, made Ms Dyachenko even more powerful.

In the months before the president's quintuple heart bypass operation and during his two month convalescence, Ms Dyachenko became, in Sevodnya's words "the ideal lobbyist".

She was often the only person who could bring documents to her father's attention and arrange meetings, a crucial role in a country where the most significant political decisions are still taken by presidential decree.

Ms Dyachenko's role has drawn a barrage of attacks in the media, including muck-racking articles about her personal life.

But her influence has also inspired requests for political patronage from Russia's neglected provinces.

In an invitation the Kremlin shrugged off as a joke, a group of women from Tula, a region some 350 km from Moscow, petitioned Ms Dyachenko to run for governor.

They said they needed "a person capable of drawing the attention of the president".

Sevodnya speculated that one motive for Ms Dyachenko's appointment could be to improve the prospects for "good fortune for the Yeltsin clan in the 21st century".

# Fischler presses for EU food watchdog

By Caroline Southey in Brussels

Mr Franz Fischler, European Commissioner for agriculture, yesterday proposed an independent consumer watchdog on food safety as part of a new regime to protect European Union consumers from dangerous foods such as beef from cattle infected with mad cow disease.

Mr Fischler said the EU needed a consumer agency to ensure that member states acted on EU laws designed to contain animal diseases dangerous to consumers. The body could have powers similar to the European Court of Auditors, which acts as the EU's financial watchdog and has extensive investigative powers.

"We need a body that has a high profile and is accepted by public opinion. It needs to be independent of any interest groups," Mr Fischler told a press conference in Brussels.

Mr Fischler faces a tough battle with member states over what powers the agency should have, as EU countries will be reluctant to cede control to Brussels.

He will also have difficulty convincing capitals that extra cash must be found for the agency. "There are still many member states which have misgivings about resources," he said. "But if we want more European inspectors we will need more than lip-service to political intentions."

Mr Fischler said the agency would work closely with the Commission in monitoring the actions of member states on food safety issues. It would be created by increasing to 100 the Commission's present inspection team of 30.

He said the inspection teams would be separated from the agricultural directorate in Brussels. "We need to have a separation between legislation and implementation," Mr Fischler said.

He also called for changes in the way scientific advice was given to the Commission, particularly the appointment of advisers. "The clearer separation we have between science and politics the better it will be for the consumer," he said.

He added that he was "in no way suggesting" that scientists working for the EU were "not in a position to do their job" but that there was "no reason to suggest there was no room for improvement".

Mr Fischler's intervention comes as the European parliament wraps up its inquiry into the management of the crisis sparked by bovine spongiform encephalopathy (BSE) or mad cow disease. His comments are designed to pre-empt the inquiry's final report due out early next year which is likely to include calls for change.

Editorial comment, Page 17

## EUROPEAN NEWS DIGEST

### Brussels warns over Anglo's Lonrho stake

The European Commission last night warned that the stake taken by Anglo American, the South African mining group, in Lonrho, the UK conglomerate, would create a dominant position in the platinum and rhodium markets and could adversely affect competition. Beginning a detailed, four-month, investigation into the merger, it sent a clear signal the deal was unlikely to be approved unchanged.

Mr Karel Van Miert, competition commissioner, has warned that any attempt by Anglo to take control of Lonrho was likely to be blocked. He issued the warning when vetoing a merger of Lonrho's platinum interests with those of South Africa's Gencor, on the grounds that the merged group would have had a duopoly in the platinum market with a subsidiary of Anglo American. The Commission said yesterday Anglo's stake in Lonrho, at 28 per cent, gave it de facto control under EU competition law.

*Neil Buckley, Brussels*

### Terms agreed for Stet stake

Iri, the debt-ridden Italian state holding company, will receive a minimum L14,530bn ($9.5bn) from the treasury for its 62 per cent stake in Stet, the telecoms group. The treasury will make available L3,000bn before the end of the year to sweeten Iri's 1996 accounts. The remainder will be paid over by June next year with the treasury issuing bonds funded by the national debt amortisation fund which is fed by monies from privatisations. The stake has a current book value with Iri of L11,000bn.

Delay in the Stet sell-off has in turn undermined Iri's plans to cut debts of around L25,000bn to around L5,000bn by the end of this year.

*Robert Graham, Rome*

### Santoni gives himself up

One of the leaders of Corsica's largest nationalist organisation yesterday turned himself over to police two months after he was convicted in his absence for illegal possession of a firearm. Mr François Santoni, national secretary of the Cuncolta Naziunalista, and a former militant with the FLNC-canal historique, the clandestine movement responsible for a wave of recent bombings on Corsica, had been in hiding since he was sentenced in October to one year's imprisonment, of which eight months were suspended.

*Andrew Jack, Paris*

### Riviera 'Godfather' jailed

Mr Maurice Arreckx, a former French Riviera political boss who liked to be called "the Godfather", was jailed for two years yesterday and fined FFr1m ($192,000) for receiving a kickback in the award of a public contract. The downfall of Mr Arreckx – who had been mayor of Toulon for 26 years until 1985, a Republican senator and head of the Var department council – followed police investigations into corruption after a mafia-style killing in February 1994 of Ms Yann Piat, a local anti-corruption deputy. In a letter made public after her death, Ms Piat told friends if she were killed, Mr Arreckx should be among the suspects. The court convicted Mr Arreckx, 79, for receiving FFr1,795,000 in 1992 from Mr Jean-Louis Germain, manager of a building company which was awarded a contract to build a technological institute in Toulon.

*AFP and Reuter, Toulon*

### Norwegian minister quits

The government of Mr Thorbjörn Jagland, *(pictured left)* the Norwegian prime minister, was hit by another resignation yesterday as Ms Grete Faremo, the country's oil and energy minister, stepped down in a scandal over alleged abuse of power by the national intelligence service in her previous job as justice minister. The resignation is the second from Mr Jagland's new government since he took over in October. Ms Faremo's decision to quit was triggered by disclosures that Norway's intelligence service, the POT, in 1995 sought information from former East German Stasi security police archives on Mr Berge Furre, former leader of Norway's leftwing Socialist Left party. The POT's head also resigned yesterday. Mr Jagland ordered an immediate review of the organisation's structure.

*Greg McIvor, Stockholm*

### Russian mines sell-off move

The Russian government yesterday announced plans to transfer the management of more than one quarter of the troubled coal industry into private hands. The decision follows prolonged strikes by unpaid coal miners and allegations that a $250m loan from the World Bank to restructure the industry had failed to trickle through the bureaucracy down to its intended recipients.

Government said that following talks with the World Bank it had decided to privatise the management of some coal companies in the first quarter of 1997. Moscow intends to auction off the right to manage five coal mining groups: Bashkirugol, Vostsibugol, Krasnoyarsk Coal Company, Khakasugol and Leningradslanets. Together these groups account for some 27 per cent of coal production in Russia.

*Chrystia Freeland, Moscow*

### E German business confidence

Business confidence in east Germany improved markedly in November, according to a survey conducted by the Halle Institute for Economic Research (IWH). In a poll of 300 companies in east Germany the number of those who said they expected a more positive development was double that in September. Around two-thirds of the companies described their current business outlook as good.

The IWH said companies working in the capital goods sector, paricularly in vehicle parts and machine-making, were the most optimistic. The most pessimistic were companies in the raw materials sectors.

In a separate survery, the Munich-based Ifo survey said east Germany's process of catching up with the west had stagnated and forecast a slightly higher rise in east German unemployment in 1997 than originally predicted. Unemployment in the whole of Germany would rise by 100,000 to 4.1m.

*Frederick Stüdemann, Berlin*

### Internet connections to rise

Home connection to the Internet in Europe, which has lagged the US in its use of the global network, is expected to rise more than tenfold in the next five years, according to market research company Datamonitor. Although a European developed the World Wide Web – the navigation system which made the Internet easier to use – Europe now represents only 10 per cent of world Internet users. Access from home, in particular, is less widespread than in the US, but Datamonitor forecasts the number of households online – 2.9m at present – will rise to 38m.

*Nicholas Denton, London*

# Serbia finds a voice for democracy

**Laura Silber** tries to interpret an unfamiliar protest language

The growing number of demonstrators who every day march through the drab centre of Belgrade are showered with confetti by old women, serenaded by gypsy bands and greeted with victory signs by office workers leaning out of windows.

"CNN, CNN," they chant, signalling their approval of the US-based worldwide news network. Along with the rest of the western media CNN was until recently derided by most Serbs as biased against them in Yugoslavia's violent disintegration.

Seven years after the "people's power" revolution brought democracy to most of central and eastern Europe, the Serbian capital has witnessed more than four weeks of protests against the government for annulling opposition victories in local elections on November 17 and awarding control to President Slobodan Milosevic's Socialists.

Yesterday tens of thousands of protesters chanted "victory" after a local court in Smederevska Palanka, south-east of Belgrade, overturned the annulment order. It followed a similar decision on Sunday in Nis, an industrial city, which ordered the local electoral commission to reinstate the opposition victory.

Bolstered by a record turnout of 250,000 people in Belgrade on Sunday, and protests spreading to more than 20 Serbian towns, opposition leaders have tasted victory. They vowed yesterday to keep up the protests until Mr Milosevic restored their win in the Serbian capital.

Having suffered the postponement of trade concessions by the west and now facing threats of renewed sanctions, the Serbian President appeared to be making some concessions and is believed to have been behind the decision in Nis. And last week he invited the Organisation for Security and Co-operation in Europe (OSCE) to send a delegation to assess the fairness of the November poll.

It all looks so very different from the Serbia of the past five years, dominated by Mr Milosevic and an obedient Serbian population ready to go to war and suffer sanctions at his command.

Some of those in the streets today are there because they despise Mr Milosevic for toying with Serbian nationalist emotions by first promising to fulfil – and then abandoning – the dream of a Greater Serbia; some dislike his past association with, and apparent revived affection for, communism; others blame him for economic failure.

Mr Zoran Djindjic, leader of the Democratic party which is part of the Zajedno (Together) opposition coalition, says there has been a sea change, both in Serbia and beyond, in how the Serbs see themselves and how others see them: "These protests have changed our image as a problematic, undemocratic nation."

The pragmatic Mr Djindjic has emerged as the mastermind of Zajedno, marginalising the charismatic Mr Vuk Draskovic, head of the Serbian Renewal Movement. His Democratic party has put forward clear proposals for a free-market economy.

Whereas in the past the main opposition groups espoused nationalist goals, they are now keen to dispel any suspicion that they share the aggressive Serb nationalism which in the past Mr Milosevic used as a battle cry but which won the Serbs near-universal foreign condemnation.

The Zajedno parties have repeatedly underlined their commitment to western democratic standards – and to the Dayton peace agreement which ended the war in Bosnia. Support for that agreement is intended to impress western governments, which until recently regarded Mr Milosevic, for all his faults, as a guarantor of any Bosnian settlement.

But the claim to have eschewed nationalism and embraced democracy is made with even greater conviction by the students, whose slogan – "Belgrade is the world" – recalls the overthrow of communism in Prague and East Berlin in 1989.

"They are protesting the violation of basic civil rights," says Mrs Olga Popovic-Obradovic, an academic at Belgrade University law school. "There is no irrational mystification, no mention of national programmes or borders."

Students, she says, are the only generation who cannot be held responsible, even indirectly, for the fighting in ex-Yugoslavia. "Anyone else can be asked what they did to stop it," she says.

Their placards are witty: "I think, therefore I don't watch state television," reads a sign carried by philosophy students. "Milosevic, you have used all your credits," say the economics students.

For all the spectacle provided by the demonstrations, the regime does not appear to be in immediate danger. Mr Milosevic has built the 100,000-strong police force into his own personal army, complete with helicopters, light tanks and artillery, in addition to the standard riot gear, and he also still commands the support of Serbia's rural population, a large part of Serbia's total 10m people.

For the time being at least, fearing western condemnation, Mr Milosevic is resisting restoring his authority through excessive force, instead choosing to use the media, economic pressure and the tactic of selective arrests which carry a wider message of intimidation to try to contain the protest.

# Cinecittà workers in protest at moves for television link

By John Simkins in Milan

Workers at Cinecittà, Italy's Hollywood, where epics such as Ben-Hur and War and Peace were made, yesterday protested about moves to set up a new company strongly weighted with television interests to rent and manage the film studios.

Cinecittà last year lost L14bn ($9.2m) on revenue of L42bn; its Rome studios cover 30 acres compared to 600 when built before the second world war. Ente Cinema, the Treasury-controlled company that owns the studios, is to take a 20 per cent stake in the new concern, to be called Cinecittà Servizi.

It has named as potential partners the RAI state broadcasting network, Mediaset, the television company controlled by Mr Silvio Berlusconi, and Rank Group of the UK which it proposes should have 20 per cent each.

A company controlled by Mr Vittorio Cecchi Gori, Italy's leading film maker, will hold 10 per cent and a consortium of independent film makers the remaining 10 per cent.

The communication workers' union, which represents 500 staff at Cinecittà, said: "The significant entry of television interests weakens the cinematographic element of the studios. We want the right balance between cinema and TV". The union said half the 10 studios were at present being used for making television programmes.

Workers say the decision should not have been taken as the final act of the previous Ente Cinema board. The CGIL union confederation, of which the communication workers' union is a member, said it would ask Mr Gillo Pontecorvo, chairman of the new board which was elected yesterday, to freeze the plan.

Rothschild Italia, which has been advising Ente Cinema in the search for partners, said it would be surprised if the proposed composition of Cinecittà Servizi was altered because it was the result of a long selection in close consultation with the Treasury.

One reason for nominating television companies is understood to have been the need for them to have access to good production studios because of Italian government plans to ensure about a fifth of television transmission consists of European-made fiction films. This would produce about L700bn of work over the next two to three years.

Ente Cinema also nominated Focus-Goldberry, an Italian concern controlled by Time Warner, to build and manage an 18-screen cinema complex planned for a corner of the studios' grounds.

## Court reduces sentences on ex-presidents and business chiefs

# Chun escapes Korea's death row

**By John Burton in Seoul**

A South Korean appeals court yesterday reduced the sentences of two former presidents and several corporate chairmen on sedition and corruption charges in the nation's "trial of the century".

A death sentence given to ex-president Chun Doo-hwan was commuted to life imprisonment, while the jail sentence handed down to Mr Roh Tae-woo, his elected successor, was reduced to 17 years from 22 years.

The former presidents, who ruled South Korea between 1980 and 1993, had been convicted in August of staging a military coup in December 1979 that brought them to power. They were also convicted of ordering the army to suppress a pro-democracy demonstration in the city of Kwangju in May 1980 which ended in more than 200 deaths.

They has also been found guilty of illegally amassing $1bn in slush funds. Top businessmen convicted of bribing the two former presidents for state contracts were allowed to walk free.

Mr Kim Woo-joong, founding chairman of Daewoo, the South Korean conglomerate, and the heads of the Dong-ah and Jinro groups received suspended jail terms. The chairman of the Hanbo group and the head of Daewoo's trading house had their convictions quashed.

Chun Doo-Hwan (left with glasses) and Roh Tae-woo: sentences reduced

It had been expected the appeals court would reduce the sentences. The defendants may also appeal to the supreme court to determine the validity of their convictions.

Many South Koreans believe the next president, to be elected in late 1997, will probably grant amnesties to Mr Chun and Mr Roh.

The appeals court said it decided to be lenient because of their contribution to the nation's economic development and their willingness to transfer power peacefully through direct presidential elections.

In reducing the sentences for the business leaders, the court said those in power were primarily responsible for forcing the corporate executives to make the payments.

Prominent South Koreans previously convicted on corruption and other charges have frequently had their sentences reduced or suspended for similar political or economic reasons.

But the appeals court decision provoked furore among relatives of the victims of the Kwangju massacre. "This is unfair. This is obviously a prepared script," said one Kwangju mother outside the court.

The court's decision to commute Mr Chun's death sentence allows President Kim Young-sam to escape possible political censure. Mr Kim had been expected to issue a pardon before his single term in office ends in late 1997 if the appeal court had upheld the death sentence.

But the reduced sentences given to most of those convicted in the trial are likely to renew charges that the case brought against the two ex-presidents was largely motivated by political considerations.

Critics claim President Kim ordered the trial of his predecessors as a means to wrest control of the ruling party from them.

# Japanese set sights on foreign trips

**By Gwen Robinson in Tokyo**

With a string of New Year national holidays approaching, a record number of Japanese, traditionally reluctant travellers, are preparing for trips abroad, a sure sign of the consumer revival taking hold.

It is a strong indication that the Japanese are abandoning their indifference to foreign holidays, which a decade ago prompted the government to urge Japanese "salarymen" to see and spend more in foreign countries. Underpinning this encouragement to travel abroad was Japan's huge and politically sensitive balance of payments surplus, which Tokyo was under intense pressure to reduce.

By urging workers to spend their holidays abroad, rather than at home, the government hoped to cut the surplus. It coincided with a strong yen and prompted many Japanese to travel abroad for the first time.

The recent steady increase in overseas travel and expenditure by Japanese was evident in the October current account surplus, published this week. In services trade, Japan posted a deficit of Y657.9bn ($5.8bn), the biggest monthly deficit on record. One of the largest declines within the services trade deficit was in the tourism account, which showed a deficit of Y318.2bn, up from Y311.6bn a year earlier.

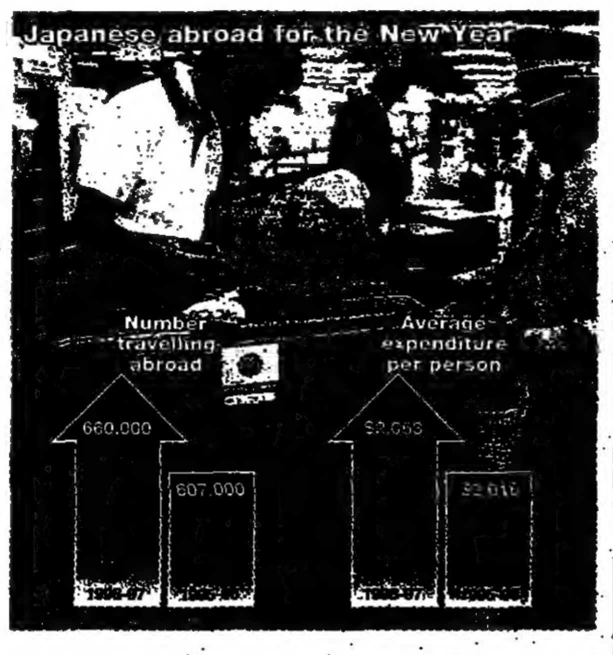
This trend is supported by the findings of Japan Travel Bureau, the country's largest travel agency, which compiles one of the most comprehensive surveys of Japanese tourism trends.

Its survey found that more than 680,000 Japanese travellers will travel overseas in the year-end holiday period from December 23 to January 3, an increase of nearly 9 per cent from the period last year. Japanese tourists will then stay away longer than ever before and will spend more on New Year trips than in the past six years, the survey found.

One reason for this record number of travellers is the bunching of New Year national holidays, which fall so that Japanese workers will gain the longest holiday sequence for some years.

Underlying reasons for the boom are largely economic, and stem from recent pay rises, a growing recovery in personal consumption and the increase this season in annual winter bonuses. Bonuses, paid twice a year by companies to vast numbers of employees, can range from two to four months' extra pay, or more.

The revival comes in spite of a continuing shake-out in Japan's travel industry, where there has been a growth in discount travel agents and intensifying price competition among airlines.



# Manila exchange gains new powers

**By Justin Marozzi in Manila**

The Philippine stock exchange (PSE) was yesterday accorded self-regulatory status by the Securities and Exchange Commission, the market watchdog, allowing it to devise its own rules and discipline members for minor misdemeanours.

The SEC retains powerful judicial functions as well as the authority to intervene in extreme circumstances, similar to its US counterpart.

The exchange's long-awaited new status as a self-regulatory organisation (SRO) is effective until the end of February, by which time it must provide further regulatory details, such as how it proposes to deal with insider trading.

"It's important for them to submit a regulatory plan to define parameters under its...new status," said Mr Perfecto Yasay, SEC chairman.

Mr Vitaliano Nañagas, PSE president, said achieving SRO status was a boost to the exchange's credibility: "This is the most important public recognition of the PSE's attempts to become world class," he said. "We're not bothered [by the limit of SRO status to the end of February]. I'm not comfortable without a plan, and the PSE won't move forward until I have one."

The new status comes after much wrangling between the PSE and the SEC. Earlier this year, a local real estate company was barred by the PSE from listing, after its involvement in a legal dispute with the family of the late President Ferdinand Marcos concerning ownership of part of its portfolio. The SEC overturned the ban, only to see it reimposed by the PSE.

Another area of contention between the two bodies has centred on the level of public, as opposed to brokers', participation in initial public offerings.

## ASIA-PACIFIC NEWS DIGEST

# Seoul tries to boost bourse

The South Korean government yesterday announced long-expected measures to boost the Seoul bourse, which has fallen to a 39-month low. Curbs on investments by pension funds in the stock market will be eased; listed companies will be encouraged to increase dividend payments to shareholders.

Securities firms will be able to offer increased interest rates of 5 per cent on consumer deposits to attract more funds. Limits on the duration and interest rates of margin loans which securities firms make to customers will be abolished. The government suggested it would adopt a flexible monetary policy to ease a liquidity shortage in financial markets. The measures, to be introduced gradually from next week, are not expected to lead to a sharp rebound in share prices, but could help restore psychological stability to a market badly shaken in recent months.

*John Burton, Seoul*

## Taipei hits back at Pretoria

Taiwan is to suspend air links with South Africa from February 15 in retaliation for Pretoria's decision to sever diplomatic relations, Taipei said yesterday. South Africa's President Nelson Mandela announced on November 27 that Pretoria would cut ties with Taipei at the end of next year and recognise Beijing as the legal government of all China from January 1 1998.

The air link would be restored "when an arrangement governing future ties between the two countries is reached to our satisfaction", Taipei foreign minister Mr John Chang said. South African Airways would have to suspend its twice-weekly flights between Johannesburg and Taipei when the aviation agreement was frozen, he added. China Airlines, based in Taiwan, had stopped its service in late October.

*AFP, Taipei*

## China in move on Sikkim

China is moving towards recognising Indian rule over the disputed Himalayan region of Sikkim, which New Delhi took over in 1975, India's foreign minister, Mr Inder Kumar Gujral, was quoted as saying yesterday. The Press Trust of India said Mr Gujral told parliament he had discussed Sikkim with China's President Jiang Zemin last month.

Mr Jiang's visit to New Delhi was marked by an agreement to reduce troops and armaments along the Himalayan border. The pact fleshed out an agreement in principle signed by a former prime minister, Mr P V Narasimha Rao, in Beijing in 1993.

*Reuter, New Delhi*

## Singapore elections 'soon'

Singapore's President Ong Teng Cheong yesterday dissolved parliament, and the government set a December 23 deadline for nomination of candidates for an election, likely to be held in the week ending January 4. The ruling People's Action party (PAP) is expected to win easily. Mr Goh Chok Tong, prime minister, has kept the country guessing for weeks over when he would call the elections, which must be held by April. At the weekend, he suggested they would be held "sooner rather than later".

In the last elections in 1991, Mr Goh's PAP, which has won every election since 1959, won all but four of the 81 elected seats in parliament. Opposition parties hope to win at least 10 seats in what will be a parliament of 83 elected members.

*Reuter, Singapore*

# A dam up against the wall

**James Kynge on Malaysia's still troubled Bakun hydro project**

Many of the tales of the style of Malaysia's most famous construction manager may be apocryphal. But one story is true: early this decade Mr Ting Pek Khiing took just 53 days to build a hotel on the resort island of Langkawi. The top-speed effort, which alleviated an accommodation shortage before an important international conference, caught the eye of Dr Mahathir Mohamad, Malaysia's hard-driving prime minister.

Mr Ting, now the driving force behind Malaysia's ambitious Bakun hydroelectric power project, is a folkloric figure in his adopted home town. Most people in Miri, it seems, have a story about the one-time timber merchant who is now managing the construction of the M$13.05bn ($5.2bn) dam deep in the jungles of Malaysian Borneo, one of the biggest infrastructure undertakings in south-east Asia.

However, despite the vaunted qualifications of Mr Ting and the project's lead contractor, the Swiss-based Asea Brown Boveri, it has been clear for some time that the construction of Bakun presents a considerable challenge. Signs are now emerging that raising the finance for the dam may be yet more difficult than building it.

> Signs are now emerging that raising the finance for the $5.2bn project in the jungle of Borneo may be more difficult than building it

Much rests on an initial public offering (IPO) of shares in Bakun Hydroelectric Corp, the joint venture which is to finance, manage and operate the dam. It is typical of the project that uncertainty shrouds key details of the IPO. Mr Ting has said he wants to raise M$8bn by the issue of 4bn Bakun shares at M$2 each in what would be Malaysia's biggest share flotation. But the annual report of Mr Ting's holding company, Ekran, mentions only an issue of 1.5bn Bakun shares. Brokerage house analysts believed that the 1.5bn share launch may be the first in several tranches of the scheduled 4bn issue but Ekran has declined to provide guidance until a formal prospectus is published.

Three quarters of Bakun's shares have been allocated to a collection of government-linked companies and to Ekran, the flagship of Mr Ting's expanding corporate empire. The remaining 25 per cent is to be divided between foreigners (10 per cent) and the Malaysian public. It is these last two categories which worry stock market analysts most.

"We will not be participating," said one Europe-based fund manager with more than US$1bn invested in Asia. "We have a duty to our clients. The potential investment rewards from Bakun simply do not outweigh the obvious risks."

The fact that one government-linked company withdrew its pledge to buy Bakun shares this month and another slashed its promised involvement has done little to bolster confidence. Malaysian Mining Corp had been due to take a 5 per cent stake but it backed out. Tenaga Nasional, the national power utility, cut its promised holding earlier this year from 25 per cent to 5 per cent. Such companies are usually stalwarts of what the government proudly calls Malaysia Inc, and are willing to make sacrifices for the common economic good.

The central problem with raising equity finance for Bakun is that the dam is not scheduled to start commercial operations until August 31 2003. Money invested now will be exposed to the considerable risk of an ambitious engineering project during a six-year period in which Bakun will not see a cent in operating income. This may be enough to damp enthusiasm in a country where IPOs are often more than 50 times oversubscribed.

Ting Pek Khiing

But even when operating income begins to roll in, the dam's return on equity – a key measure of a project's attractiveness to investors – may not be overly attractive. Mr Ting has estimated that it could be 10.5 per cent.

"The bottom line is that the long-term return on this project is inadequate," said Mr Mark Mansley, a director at Delphi International, an investment analysis company in London. "Even 10.5 per cent is well below the long-term return generated by most European equities," he added.

Meanwhile, Malaysia's appeal court has suspended a high court ruling this year that the environmental study on the dam was conducted in an unlawful manner, but residual legal and social problems cannot be discounted. Some 9,500 tribal residents of the jungle will have to be relocated to make way for a reservoir larger than Singapore and environmentalists may renew a campaign of opposition to the dam – a factor which has turned some potential European and US investors off the project.

It is also not known how the felling of jungle over such a large area could affect rainfall, soil erosion and the silting of the reservoir. Such uncertainties make it impossible to predict all-important water flows.

These, and other, factors not only cloud the outlook for raising equity finance; they also apply to commercial bank lending. Debt finance could account for between 40 and 60 per cent of the project cost, analysts say. The solution, they added, might be for the government to underwrite the debt, removing the risk burden from lenders.

"In the end, the government may be forced to support this project even more than it already is," said a government official in Kuala Lumpur. "It is highly unlikely that Bakun will be abandoned but the cost to the nation may be far too great."

هكذا من الأصل

# Rwanda refugees stream home

More than 100,000 Rwandan Hutu refugees ended two-and-a-half years of exile yesterday, streaming home on foot across the Tanzania border, Reuter reports from Ngara, Tanzania.

More than 200 children were separated from their parents in the crush of refugees and a UN official feared the total could reach 1,000 by the end of the day. Mothers tied themselves to their children with yellow string supplied by the Red Cross.

In Geneva, the UN refugee agency said 103,000 refugees crossed into Rwanda yesterday bringing to 133,000 the number of returnees in the past three days. Some 100,000 Hutus in Tanzania were heading for Rwanda and another 50,000 were preparing to leave camps in Kitale area.

"This means we have more than 280,000 people who have either returned or are on the way home," the agency said.

There had been 540,000 Rwandan refugees in Tanzania but the UN does not know where the rest are.

In Nairobi, President Nelson Mandela of South Africa discussed the conflicts in Zaire and Burundi with eight other African leaders for two hours yesterday.

Succumbing to international pressure to get involved, Mr Mandela took part in talks on the crisis in the "Great Lakes" region of Central Africa for the first time.

Zaire, the country at the heart of the conflict, stayed away from the summit, damping hopes for any breakthrough in the search for peace. "It is hard to see what can be achieved without Zaire here," one delegate said.

Mr Mandela took part in closed-door talks with the other leaders for a little over two hours before leaving to fly home.

# Israel under fire on settlements policy

By Judy Dempsey in Jerusalem

Three former US secretaries of state, Mr James Baker, Mr Lawrence Eagleburger and Mr Cyrus Vance, have attacked Israel's policy of expanding Jewish settlements in the West Bank, saying it is counterproductive "to the goal of a negotiated solution."

In a letter to Mr Benjamin Netanyahu, the Israeli prime minister, they urged him not to take unilateral actions that would preclude a meaningful negotiated settlement and a comprehensive and lasting peace.

The letter reflects increasing concern by the Washington establishment, the European Union and the Arab states that all the progress of the past few years towards a negotiated peace could be squandered if the settlement policies continue.

The Israelis yesterday appeared to shrug off such criticism. A government official said the letter by the former US secretaries of state should not be dismissed, "but what was noticeable about the letter was that it did not include names such as George Shultz" – another US secretary of state. The official added that the signatories to the letter "were in any case not known to have been the most friendly in the past to Israel."

The Clinton administration has taken a far less critical stance, repeating yesterday the settlement policy was "troubling".

The letter coincides with attempts by the US administration to renew talks on the long-delayed Israeli troop redeployment from the West Bank town of Hebron. Mr Netanyahu and Mr Yassir Arafat, president of the Palestinian Authority, spoke by telephone on Sunday night after Mr Yitzhak Molcho, an adviser to the prime minister, and Mr Danny Naveh, the cabinet secretary, visited Mr Arafat in Gaza.

Last night, Mr Molcho met Mr Saeb Erekat, the Palestinian negotiator in Jerusalem, to renew the Hebron talks.

Mr Arafat himself has already made moves to try to find the gunmen who last week killed a Jewish settler and her son near the West Bank town of Ramallah. Several suspects have been detained but in the meantime the town has been closed off by Israeli forces.

Mrs Hanan Ashrawi, the higher education minister in the Palestinian Authority, said the closures were severely disrupting health and educational services.

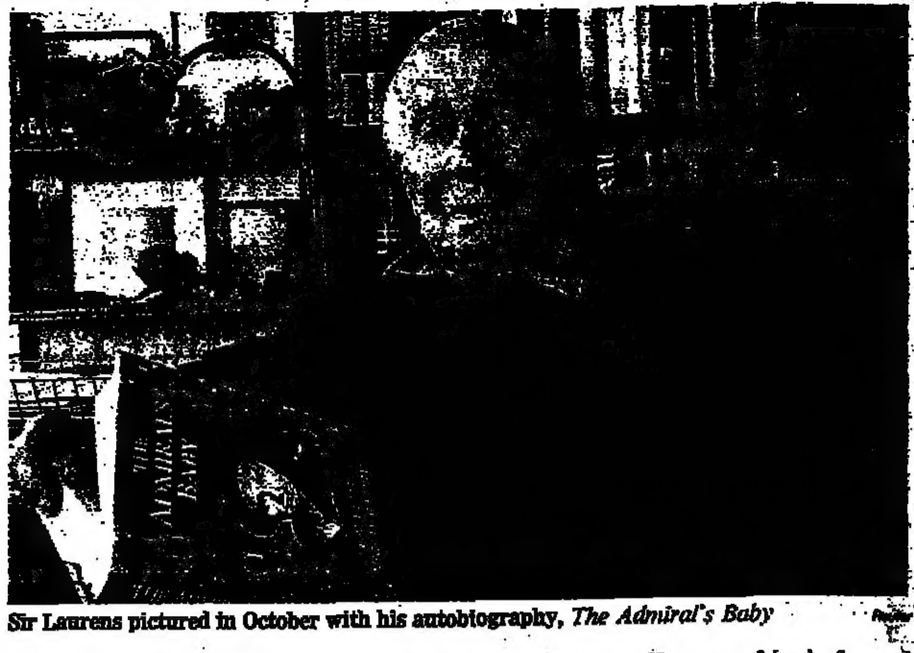
The growing tension is causing increasing concern among Israel's business community, which has used the peace dividend of the past three years to forge contacts in the Arab states, Asia and Europe but which fears they could be undermined by Mr Netanyahu's policies.

The latest casualty is the Israeli Growth Fund, a US fund investing in Israel, which yesterday was wound up for lack of demand among investors due to the political tension.

However, despite the virtual standstill in the peace process, Mr Dan Gillerman, chairman of the Federation of Israeli Chambers of Commerce, will today head a delegation of businessmen to Ramallah to meet Mr Maher Al Mazry, Palestinian minister of industry and trade to promote co-operation.

OBITUARY — SIR LAURENS VAN DER POST

# Writer with a range of skills



Sir Laurens pictured in October with his autobiography, *The Admiral's Baby*

Sir Laurens van der Post, whose death was announced yesterday, was an internationally successful Afrikaner writer who made his life in Britain and also excelled as soldier, explorer, film-maker and unofficial diplomat.

Born in 1906 in the Orange Free State of Dutch and Huguenot stock, and brought up not far from the Kalahari desert, he became a journalist in Durban as a very young man before travelling to England, where he farmed in Gloucestershire, joined the fringes of the Bloomsbury set, and published his first novel, *In a Province*, in 1934.

With the outbreak of the second world war he served with the British army first in Ethiopia and the Western Desert and then in Java, where he was captured and spent 3½ years as a prisoner of the Japanese. He would afterwards write frequently about that desperately dangerous period; he always took a close and sympathetic interest in Japan's post-war progress. After his release, he was sent by Lord Mountbatten to Indonesia.

He then returned to Africa where, as a direct result of his book, *Venture to the Interior*, the eloquent and poetic record of an expedition he led in Nyasaland on behalf of the British government, he became an internationally renowned author. In addition to various successful novels, he wrote, and made films, about his journeys to the Kalahari, books which became an elegy for the Bushmen.

His later books were ever more autobiographical, more mystical, as he became more identified with the great Swiss psychologist Carl Gustav Jung. (He wrote a biography of Jung; his second wife Ingaret Giffard, whom he married after the war, was a Jungian analyst).

Van der Post also played a discreet but significant role in public affairs. Although he was always a passionate opponent of racism and of apartheid, he maintained close links with the South African white "Establishment" and was able to help in the negotiations which led to the Lancaster House ending of Rhodesia's rebellion.

He was a friend of – and was believed to influence – Margaret Thatcher. More delicately, and even more discreetly, he was close to "the Palace", and in particular to the Prince of Wales (to whose son William he was godfather).

But in his later years his greatest attention was probably given to various "wilderness" and "green" movements.

He had two children by his first wife Marjorie Wendt: his only son died in 1984; his daughter, Lucia, is a well-known member of the staff of this newspaper.

# Belgian power group becomes Almaty's bogeyman

When thousands of angry customers were recently left without heat and electricity in Almaty, the mountain-flanked capital of Kazakhstan, they knew exactly who to blame – Tractebel, the Belgian power company.

The company appeared to have struck a profitable deal in August when it paid $5m for the assets of Almatyenergo, a monopoly that produces and distributes heat and electricity to about 15,000 enterprises and government institutions and 650,000 households in the capital and the surrounding province. The Belgian company also took on some outstanding debt and pledged to invest $270m.

Since then, however, Tractebel has run into almost every imaginable pitfall of investing in the former Soviet Union. As a result, homes and offices have been left in the dark and freezing cold more than ever, – and the Belgians have become bogeymen.

"I think we underestimated the effort needed," said Mr Jan Bens, managing director of Almaty Power Consolidated, Tractebel's venture in Almaty. "We didn't study it all thoroughly, and didn't appreciate the complexity of the business culture here."

Tractebel made itself unpopular from the start. It was free to hire and fire. But then one of the 500 sacked employees committed suicide by setting himself ablaze in front of the company's office. A campaign to boost payment discipline by cutting off electricity when bills were overdue reinforced communist-bred fears of cold-blooded capitalism at its worst.

Tractebel also found out that equipment was even more decrepit than expected while coal and fuel oil supplies were close to zero just before winter began. New supplies of coal were disrupted as a result of the mine's privatisation, and when supply contracts were re-confirmed the dilapidated railways could not supply coal quickly enough.

Tractebel had also counted on gas for its heating plants, but Uzbekistan cut off supplies because of Kazakh government debts. Fuel oil, the only alternative, proved even harder to get. "It's a land rich with oil so we thought getting fuel oil would be no problem," Mr Bens said. "We saw a refinery 800km away, and thought we didn't need to stock fuel oil. We had contracts after all. But the problem was not the contract but the physical delivery." Supplies from this refinery take three days, and the next refinery is eight days away.

Then supplementary electricity supplies from outside the province also failed to arrive. "The whole Soviet power grid was well organised," Mr Bens said. "But it fell apart." Russia and Kyrgyzstan cut off electricity because of outstanding debts, causing power plants in much of Kazakhstan to shut down frequently. Tractebel then appealed to a power plant in the Kazakh town of Dzhambul but found out power lines passed through Kyrgyzstan, which was not co-operating. "Since then we're basically sitting on an island," Mr Bens said.

As a result, Tractebel was 36 per cent short of electricity at peak hours when the first heavy frost set in. "The plan was to cut off in rotation. But at peak hours we had to cut everything we could," Mr Bens said. As the city's gas system was off as well, many families ended up cooking meals on bonfires in the courtyard and Tractebel's popularity sank well below freezing point.

So far Tractebel has put in $55m, despite a guarantee that the company should be able to cover all costs in its tariffs and still make a 25 per cent profit.

"The contract gives the company the right to incorporate *reasonable* expenses," countered Mr Nikolai Radostovets, chairman of the Pricing and Anti-Monopoly Committee.

But Mr Radostovets accused Tractebel of "providing false information" on some expenses and balked at counting non-payment of bills and a one-time payment of salaries owed by Almatyenergo before Tractebel took over. Neither Mr Radostovets nor other officials have called for a cancellation of the contract with Tractebel, however, fully aware that many of the problems are not of Tractebel's making.

Tractebel also has no intention of pulling out. "I was told it would be pioneer's work," said Mr Bens. "We had to learn how to do business in Kazakhstan. It's difficult now, but I have faith that we can make this work."

**Sander Thoenes**

# Intel builds world's fastest computer

## Teraflop machine does 40bn sums in blink of an eye

By Louise Kehoe in San Francisco

Intel, the leading maker of microprocessor chips, has built the world's fastest computer, capable of performing up to one trillion (1,000bn) calculations per second.

The "teraflop" computer is a landmark in terms of computer performance. It is almost three times faster than the previous record holder, a computer built in Japan by Hitachi. A teraflop is one trillion floating point operations per second, or a million million calculations each involving numbers with more than a dozen digits.

Another measure of the speed of this computer is that it can perform 40bn calculations in the blink of an eye.

"This is the digital equivalent of breaking the four-minute mile," said Mr Craig Barrett, Intel chief operating officer. "We have broken the psychological barrier." Intel's demonstration of teraflop performance will "change the thinking of scientists all over the world as to what is possible in terms of computer simulations."

The Intel machine has been built under contract to the US Department of Energy's Sandia Laboratories, which plans to use the computer to simulate the explosion of stockpiled nuclear warheads. This will help to eliminate the need for actual explosions, enabling the US to adhere to the comprehensive test-ban treaty signed by President Bill Clinton in September, said Mr Jack Gibbons, science adviser to the president.

Unlike earlier supercomputers built for government use, the Intel computer has been made with standard off-the-shelf components. These include 7,264 Pentium Pro microprocessors on standard circuit boards that are used in high-performance desktop computers and office network servers.

The current version of the machine is a prototype and the final version will incorporate over 9,000 microprocessors, giving it a sustained performance of 1.4 teraflops. The key to achieving such high performance is the way in which the microprocessors are tied together so that their computer power is additive.

While the teraflop computer has been built specifically for nuclear simulations, the technology is expected to find broad applications. Scientists may use this technology to address the "grand challenges" such as the human genome project, the mapping of human genes, said Mr Gibbons.

Global climate modelling and weather forecasting, such as predicting tornadoes and hurricanes, may also benefit from this technology, said Ms Hazel O'Leary, US energy secretary.

While it is unlikely that businesses will use teraflop computers in the near future, scaled-down versions of the Intel supercomputer, using the same interconnection technology, are likely to find use in the design of aircraft, simulating car crashes, or building design, she added: "This puts the US clearly in the lead in terms of supercomputer innovation."

# Mexican banks warning

By Robert Chote, Economics Editor, in Washington

Mexico could face further social discontent and political instability if its enfeebled banking system undermines the country's fragile economic recovery, according to an internal World Bank analysis to be discussed by its executive board today.

Any delay in resolving the banking crisis could raise significantly the costs to taxpayers, the report says. The fiscal costs of bank and debtor support could rise from around 10 per cent of national income on a net present value basis to around 15 per cent.

World Bank staff expect the Mexican economy to grow 3 per cent this year, with the rate of expansion accelerating gradually to 5 per cent a year by the end of the decade. But this steady recovery from the financial crisis of 1994-95 "depends crucially on an orderly resolution of the banking system problems", according to the draft "country assistance strategy" drawn up for Mexico.

However, if the banking issue is not resolved, it could set off a "vicious cycle of a renewed rise in inflation and interest rates, declining investor confidence, and a narrowing of access to foreign capital", the document argues.

It predicts that economic growth would then stagnate at around 2 per cent a year over the next two or three years, with the country remaining vulnerable to external shocks for a protracted period.

The draft calls for quicker action on problem banks, active encouragement of bank mergers and the disposal of bad loans acquired by the government. It also recommends that comprehensive deposit protection should be phased out and that new subsidy schemes should be avoided.

Several Mexican development lobby groups have argued that the Bank's strategy devotes insufficient attention to poverty relief and especially the difficulties women face in gaining access to education, land and credit.

# US output boosted by end of GM strike

By Gerard Baker in Washington

US industrial production rose sharply in November, as the return to work at strike-affected General Motors plants lifted manufacturing output, the Federal Reserve said yesterday.

Total production rose by a seasonally adjusted 0.9 per cent last month from a month earlier, a strong rebound from the revised fall of 0.2 per cent in October. About half of the overall increase was attributed to the ending of the GM strike, but there was also a strong gain in output among other manufacturers and a surge in production by gas and electricity companies in response to the exceptionally cold weather across the country.

Manufacturing production increased by 0.8 per cent and utility output 2.5 per cent from a month earlier. The manufacturing figure, the fastest monthly increase since June, suggests the pace of activity at the nation's factories has quickened towards the end of the year after a deceleration in the summer. Manufacturing output was up 4.7 per cent on a year earlier, while total production was 4.4 per cent higher.

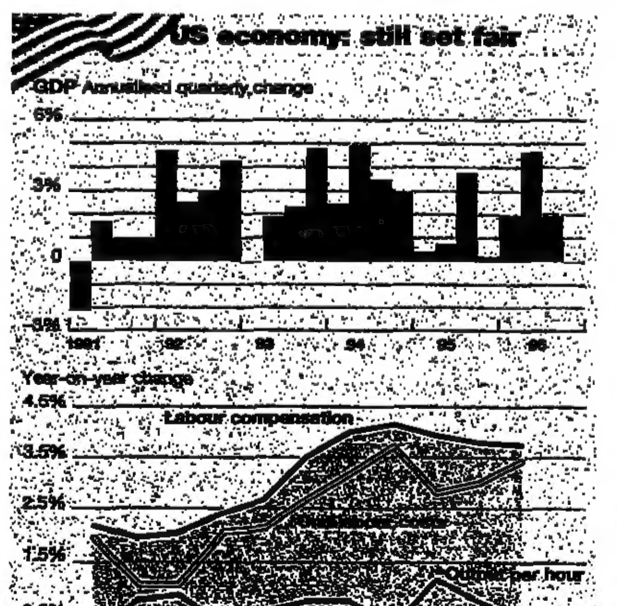
Output of consumer goods other than cars and car parts dropped slightly while non-durable goods production edged up, reflecting gains in foods, chemicals, paper and energy products. Business equipment production continued to show strong growth, especially computers, output of which has grown at an annual rate of over 20 per cent in the last six months.

The rate of utilisation of industrial capacity also picked up in November, reaching 83.3 per cent of total capacity. This was still well below the rates recorded earlier in the year, however, and was also comfortably below levels normally associated with inflationary bottlenecks.

# So far, so good for America Inc

## Unfortunately, the past is not a reliable guide to the future, reports Gerard Baker

When the members of the Federal Reserve's Open Markets Committee file into the US central bank's main boardroom this morning for their last meeting of 1996, they could be forgiven for succumbing to a bout of year-end self-congratulation.



Remarkably, after almost six years of growth, the US economy is still set fair. In spite of fears in the last few years that it would hit one snare or another, the economy remains on a near-perfect course between the Scylla of higher inflation and the Charybdis of recession. Growth is at or near its long-term trend rate, inflation is close to a 30-year low, and unemployment is back to levels not sustained since the 1960s.

And it is the Federal Reserve which has received most of the credit. By raising interest rates when others might not have done in 1994, and then lowering them again in 1996, the Fed has gently steered the economy on its current benign course.

But the warm glow of success at the Fed's top table today will be chilled a little by the certain knowledge that central bankers are only as good as their last policy mistake. Having lowered interest rates at the start of the year when the economy appeared soft, they know they will be widely blamed if they fail to raise rates soon enough if inflation threatens to take off. But the correct judgment on the likely course of inflation in the next year or so is now much more difficult than at any stage in the last few years.

The problem for the Fed is that the past behaviour of the economy is not an especially reliable guide to future performance. Though there is little evidence from the published data that inflation has been increasing – consumer prices are rising at most by about 3 per cent a year, and core wholesale prices are rising even more slowly – the real question is: will that continue?

As the Fed's chairman, Mr Alan Greenspan, put it in a less widely quoted passage of his now infamous speech on monetary policy two weeks ago, the central bank must operate on the basis of forecasts. "Often, we need to tighten or ease before the need for action is evident to the public at large," he said.

In the face of stubbornly benign historic data, there are several questions the Fed's policymakers must consider looking forward to inflationary developments in 1997.

The most important is whether or not the principal source of inflationary pressures – a tight labour market – can go on much longer defying the logic of history in not producing a burst of rising wage costs. An unemployment rate of around 5.3 per cent, the average for the second half of this year, is well below what economists generally accept as the rate at which wage pressures cause an acceleration in inflation.

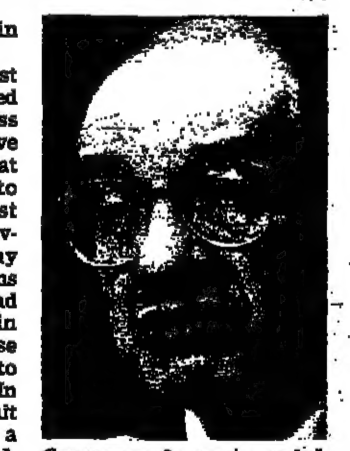
Though the data suggest that wage costs have indeed been rising as the jobless total has fallen, they have not done so at a pace that has sent alarm signals to policy makers. The best explanation for this behaviour is that workers may have moderated their claims because of the widespread insecurity that abounds in US labour markets, a sense of insecurity that is likely to fade, economists believe. In the last three months, unit labour costs have been on a slightly faster upward trend, indicating perhaps that the insecurity may have come to an end.

"What we have so far is not a full fire drill," says Mr John Lipsky, chief economist at Salomon Brothers, the New York investment bank, "but there are certainly now clear whiffs of smoke in the air."

There are hints too of a bottleneck in the capital goods market, which is also an early warning sign of inflation to come.

But perhaps the most intriguing puzzle for policymakers is what to do about developments in the financial markets. Mr Greenspan's remarks two weeks ago about "irrational exuberance" in the stock market set off a bout of selling. Some investors tried to dismiss his intervention as merely an attempt to talk the market down. But that seems highly unlikely.

More probable is a concern at the Fed that before long, the explosion in stock prices will spill over into the rest of the economy and create both a bubble in broader financial assets such as property and a surge of extra spending by consumers whose wealth appears to have been bolstered by higher stock prices.



Greenspan: forecasts needed

Mr Stephen Roach, chief economist at Morgan Stanley in New York, believes the Fed is about to insure against that with an increase in interest rates. "Three times in his career Mr Greenspan has had to deal with bubbles – in 1987 in the stock market, in 1993 in the bond market, and now in stocks again in 1996. On each occasion, the Fed has given fair warning, and then tightened policy," he says.

The only problem is that there is little clear evidence that the feared spill-over from financial markets has started to happen – yet. But that, of course, does not rule out action by the Fed soon. If the evidence were now clearly visible, it would probably already be too late.

هكذا من الأصل

**Dexia, the European banking group born out of the merger of Crédit Local de France and Crédit Communal de Belgique.**

Dexia is the fruit of the pooling of the values, skills and financial means of two credit institutions:

- Crédit Local de France, a leading financial partner of local communities in France with a network of establishments in Europe and in the United States.
- Crédit Communal de Belgique, a leading bank in the local government sector, Belgium's leading retail bank and the majority shareholder of the Banque Internationale à Luxembourg.

**A European banking group with total assets of USD 200 billion.**

With USD 8 billion in equity and total assets of USD 200 billion, Dexia's financial health will enable it to enjoy rapid international expansion. The complementary nature of collecting deposits and refinancing on international markets ensures Dexia the financial means for its development.

DEXIA

**The European banking group, the leader in financing public services, has been born.**

**A solid group, involved with its partners.**

Quoted on the Paris and Brussels stock exchanges, Dexia will be announcing its results starting in 1996. For the first half of 1996, it has already posted a combined net profit of more than USD 340 million. Anxious to offer its shareholders the best investment, Dexia will pursue an active dividend policy.

**A group which finances the living environment with nearly USD 20 billion in new loans each year.**

Public transport, motorway infrastructure, facilities for education, health, telecommunication, environmental protection, power supply, home improvement - needs are considerable the world over. Dexia, specialized in financing community facilities and in financial services for public administrations, will be seeking to develop all branches of the banking profession in order to offer the best-adapted banking products and services to its clients throughout the world.

CRÉDIT LOCAL de FRANCE

BANQUE Crédit Communal

WORLD TRADE NEWS DIGEST

# US modified maize 'is safe'

Three European Union scientific committees have advised that genetically modified maize is safe, clearing the way for the Commission to approve its sale tomorrow. The advice allows Mrs Ritt Bjerregaard, European commissioner for the environment, to propose approval of the maize in the EU. The only condition advised by the scientists is that member states should monitor what effect the maize has on the resistance of insects to herbicides.

However, EU officials said a decision to approve the maize could still be blocked. "The scientists have done their work. Now its down to politics," said one. The Commission delayed a decision earlier this year because of increased public sensitivity in the EU over food safety in the wake of the mad cow crisis.

A positive decision would ease tensions between Brussels and Washington. The US has grown increasingly frustrated over the drawn out decision-making process in Brussels.

The maize was genetically modified by Ciba Geigy, the Swiss chemicals company, to be resistant to the European corn borer pest. Environmental and consumer groups argue that the antibiotic resistant gene in the maize could be transferred to bacteria in animals and humans.

They also argue the maize could lead to the development of a new strain of insects resistant to some insecticides. *Caroline Southey, Brussels*

## Japan to cut whisky tax

The Japanese government has decided to lower the tax on whisky by 58 per cent from next October and raise that on the national drink, *shochu*, by between 1.6 and 2.4 times over five years in order to comply with a ruling by the World Trade Organisation, the ministry of finance said yesterday.

The plan, approved by the government yesterday, is expected to be accepted by the EU, the US and Canada within the next few days and to end years of friction over Japan's liquor tax system.

The three countries referred Japan's liquor tax system to the WTO, which ruled this summer that Japan's liquor tax regime discriminates against foreign spirits such as whisky and cognac. Japan was told that it should reduce the differences between taxes on these spirits and *shochu* to minimal levels. *Michiyo Nakamoto, Tokyo*

## Thailand puts off tariff cuts

The Thai government has decided to postpone tariff cuts on certain petrochemical products, especially those related to the plastics sector, for at least a year, officials said yesterday. Tariffs of 30 per cent on polyethylene, polypropylene, polyvinyl chloride, polystyrene and acrylonitrile butadiene styrene will remain in place until the beginning of 1998. These tariffs were originally scheduled to be cut to 20 per cent in January.

Since announcing a package of tariff cuts in late 1994, Thailand has scaled back its ambitions on many raw materials whose industries are just starting up in the country. *Ted Bardacke, Bangkok*

## UK loan for Vietnam plant

Commonwealth Development Corporation (CDC), the UK's overseas development finance organisation, is expected today to sign a $15m loan for a sugar project in Vietnam, its first investment in the country. The eight-year loan is to finance Sucrerie Bourbon de Tay Ninh, a $95m joint venture sugar refinery in Tay Ninh province, north of Ho Chi Minh City.

The partners in the venture are Reunion-based Groupe Sociétés de Bourbon, and local partners Tanisugar and Vinasugar II. About $42m will be lent by World Bank affiliate the International Finance Corporation, which is already involved in about 10 projects in Vietnam.

The plant would be operational by January 1998 and will produce 100,000 tonnes of refined sugar a year, as well as 44,000 tonnes of molasses. *Jeremy Grant, Hanoi*

## Bertelsmann in China venture

Bertelsmann, the German media group, and Shanghai Scientific & Technical Publishers have signed a letter of intent to establish a publishing company in China. The joint venture, in which Bertelsmann will hold 49 per cent and have operational control, will be based in Shanghai and will initially concentrate on technical and scientific books. A magazine publishing operation, to be overseen by Bertelsmann's subsidiary Grüner + Jahr, is also planned.

The joint venture is the first such co-operation between a Chinese and a foreign company, according to Bertelsmann. *Frederick Stüdemann, Berlin*

## Renault signs Iran cars deal

Renault said yesterday it had signed an agreement with the Iranian carmaker Kish Khodro to deliver parts for a new Iranian multi-purpose vehicle scheduled to go into production in 1998. Renault said that the agreement entailed the delivery of parts from the Megane car collection, including 1.6 litre engines and gearboxes.

Kish Khodro is 51 per cent owned by private Iranian investors, 40 per cent by an Iranian state bank, with the rest in the hands of a British engineering group, BMS Management, which designed the vehicle. *Reuter, Paris*

## Efta in Palestinian accord

The four members of the European Free Trade Association (Efta) yesterday signed a trade co-operation agreement with the Palestine Liberation Organisation (PLO) intended to pave the way for a free trade deal with the Palestinian Authority. The agreement also provides for a continuation of the preferential terms for two-way trade that existed during Israeli occupation of the Palestinian self-rule areas, under Efta's free trade pact with Israel.

Efta, whose members are Norway, Switzerland, Iceland and Liechtenstein, also has free trade agreements with Turkey and 10 central and eastern European countries, and co-operation agreements with Morocco, Tunisia and Egypt. *Frances Williams, Geneva*

# Spanish carmakers gloomy on exports

By David White in Madrid

Saturated car markets in Europe are threatening Spain's export performance and growth prospects for its motor industry, the motor manufacturers' association Anfac warned yesterday.

The association said car exports this year were expected to show only a fractional rise of 0.13 per cent to 1.54m units after an increase of 14 per cent last year. This stagnation marks a break in the growth trend of Spanish car exports, previously interrupted only in the recession of 1992-93.

As a result, output of cars by multinational groups in Spain will show a drop of just over 1 per cent to 1.94m for the year, according to Anfac forecasts. Mr Luis Valero, the association's new managing director, blamed the trend on the Spanish industry's overwhelming dependence on sales to other European Union countries.

The trend contrasts with the improved export performance of car companies in Germany and France, the two principal EU producers. Spain, the EU's third largest producer, is far more dependent on exports than its rivals, sending almost 80 per cent of its output abroad and obtaining almost a quarter of its export revenues from vehicles and components.

The likelihood of any new carmaking facilities being located in Spain was called into question by Mr Juan José Sanz, chairman of the General Motors' subsidiary Opel España and Anfac president. Instead, manufacturers would concentrate their investments on improving the efficiency of existing plants in the face of competition from countries such as Korea, he predicted.

"I very much doubt if new factories and new manufacturers will be established in Spain," he said.

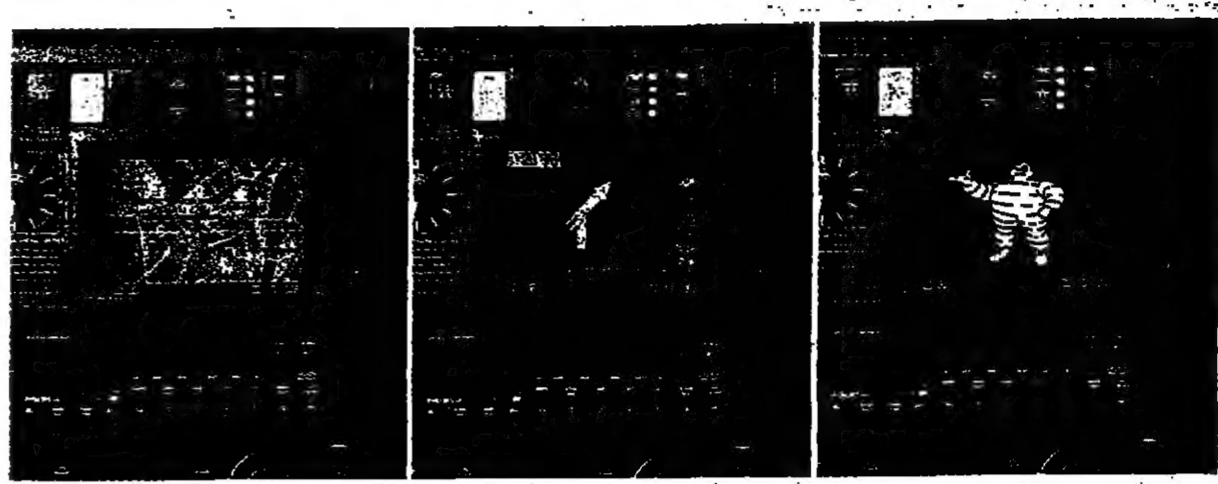
Although new car registrations in Spain have recovered this year, with an expected increase of 8.3 per cent to about 904,000, Mr Sanz said this was still "not satisfactory" for manufacturers. The industry is pressing for a reduction in registration taxes to rectify the balance between domestic sales and exports.

Anfac estimates there is room for a 30 per cent increase in the domestic market. This year's improvement followed an 8.3 per cent drop last year in registrations, which peaked at 1.1m in 1989. Next year is expected to see a moderate growth to sales of about 920,000 cars.

Overall figures for the motor industry show an expected 3.4 per cent increase in vehicle production and a 5.8 per cent rise in exports. In sharp contrast with the trend for cars, exports of heavy vehicles are expected to increase by almost 53 per cent.

# The not so rough guide to the road

**Haig Simonian** on in-car info about where to eat and sleep



The dashboard tourist guide: value added navigation

Europe's motorists will soon be able to plan their routes, check out the sights and even compare hotels and restaurants without taking their hands off the wheel.

Navigation Technologies (NavTech), a US database and software house specialising in digital road-mapping, has signed an unprecedented deal with Michelin, the tyremaker which is as well known for its tourist guides, to incorporate information from Michelin's famous red tourist guides on the digital road maps it is making for in-car navigation systems.

The deal marks the first time a digital, navigable map will be enhanced with "value-added" information from a leading outside source. Such agreements may become commonplace as in-car navigation systems gain acceptance among motorists and demand rises for not just route guidance but additional information.

The first of the new maps, incorporating Michelin's red guide to France, will be available from early next year for use on the navigation hardware made by TECmobility, part of Fiat's Magneti Marelli subsidiary. "Our new CD-Roms have enough room for a sizeable map and a point of interest database, like a tourist guide," says Mr Kevin Harris, Magneti Marelli's UK product manager.

However, Mr Ian Martin, NavTech's sales and marketing director, expects versions for other hardware manufacturers' in-car navigation systems soon.

NavTech and Tele Atlas, its arch-rival, are racing to complete digital, navigable maps of Europe's main roads and cities. The mapping is largely complete and the CD-Roms produced so far contain extensive information about roads, public buildings and entertainment facilities. However, they lack the "value added" of a guide book.

NavTech has signed up Varta, publisher of the best-known German hotel guide, and the UK Automobile Association, to provide tourist information for future digital maps, according to Mr Martin. Talks were also under way with the Italian Touring Club and other leading publishers of tourist information, he said.

Eventually, digital maps on CD-Rom could augment the information in printed guide books by providing pictures of hotels and interiors of rooms or restaurants.

The market for maps on CD-Rom – some of which, like TECmobility's, can also be used on home computers – and car navigation systems is expected to surge as more carmakers and electronics companies enter the field. The business in Europe has been pioneered by BMW and Mercedes-Benz, which have offered Philips and Bosch in-car navigation systems respectively in their top models.

The systems work by plotting a car's location against so-called global positioning system (GPS) satellites used for navigation by ships and aircraft. Once the location is confirmed via a satellite receiver and various on-board devices, including gyroscopes, it is checked against digitalised road maps on CD-Roms and processed by an on-board computer, usually in the boot.

Motorists tap their destination into a dashboard monitor. Using the satellite receiver and the compact discs, the system tells the driver which way to go, usually via voice-synthesised messages such as "turn left in 100 metres".

Although many of the main cities and motorways in Europe and the US have been mapped, on-board navigation systems still have to make a significant commercial impact. Such technology has, however, already proved extremely popular in Japan, with expected sales of 900,000 in-car navigation systems this year.

Software and database houses, such as NavTech, say the main barriers to wider consumer acceptance have been the relatively high price of existing hardware and the absence of more "value-added" information, such as is available in a traditional guide book, on the CD-Roms. Demand has also been restricted by a lack of common standards.

Hardware prices have already started to fall as more electronics companies have entered the market. More than 20 manufacturers already make systems, mostly from Japan. However, the number of European manufacturers is now rising sharply.

Mr Martin said he expected NavTech, which is working closely with Germany's Bertelsmann group, to sign up more tourist publishers soon. The enhanced digital maps would be more expensive than the current series, which cost about £120 ($198) for a basic CD and an update. However, he claimed the new products offered fair value for money in view of the additional information offered.

Prices have also been kept down because many publishers have opted for a share of revenues, rather than up-front fees, and were willing to forsake immediate profits to break into on-board navigation, which they saw as a growth market, he said.

# Bolivia link to Mercosur hit by last-minute hitch

By Geoff Dyer in Fortaleza

Officials of Mercosur, the four-nation Latin American trade grouping, were yesterday attempting to salvage an agreement to extend associate membership to Bolivia.

The agreement, due to be signed today by the Mercosur members – Brazil, Argentina, Paraguay and Uruguay – had been planned as the centrepiece of a two-day heads of state meeting.

However, objections raised by Argentina about Bolivian wheat tariffs, which were to have been on a list of exceptional items for 10 years, have threatened to delay the agreement.

If a deal is signed by the heads of state tomorrow, it is unlikely to implemented by January as planned because it will take longer than expected to get legislative approval.

Officials also reported yesterday that slow progress was being made on key discussions about competition policy in Mercosur, on protection for struggling industries and on reducing tariffs on sugar.

One of the sticking points in the negotiations has been the subsidies offered by individual Brazilian states to attract foreign investment.

Bolivia's status in Mercosur would be similar to that of Chile, which signed an associate membership agreement in June. Full membership for Chile has been ruled out for the moment because of the difficulty of reconciling Mercosur's varied external tariff with Chile's lower and uniform 11 per cent import duty.

Bolivian president Mr Gonzalo Sanchez de Lozada has been eager to pursue an agreement with Mercosur, despite strong opposition from some local businessmen. The government argues that Mercosur is the best way to attract investment and technology.

Membership of Mercosur would also cement its partnership with Brazil, with which it is involved in a $1.8bn project to build a gas pipeline. Mercosur is separately conducting talks with the Andean Community trading group, which includes Ecuador, Peru, Colombia and Venezuela, as well as Bolivia.

Mercosur members have reached agreement on other issues which will deepen the level of integration between member states. These include the opening of air transport in the four countries between 29 regional airports, reducing bureaucracy at customs and the establishment of a budget for the Mercosur secretariat, which is based in Montevideo, the capital of Uruguay.

Brazil chose the north-eastern city of Fortaleza for the summit to try to emphasise that the benefits of the Mercosur free-trade agreement were not just felt in the south of the country, which borders the three other member nations.

## INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

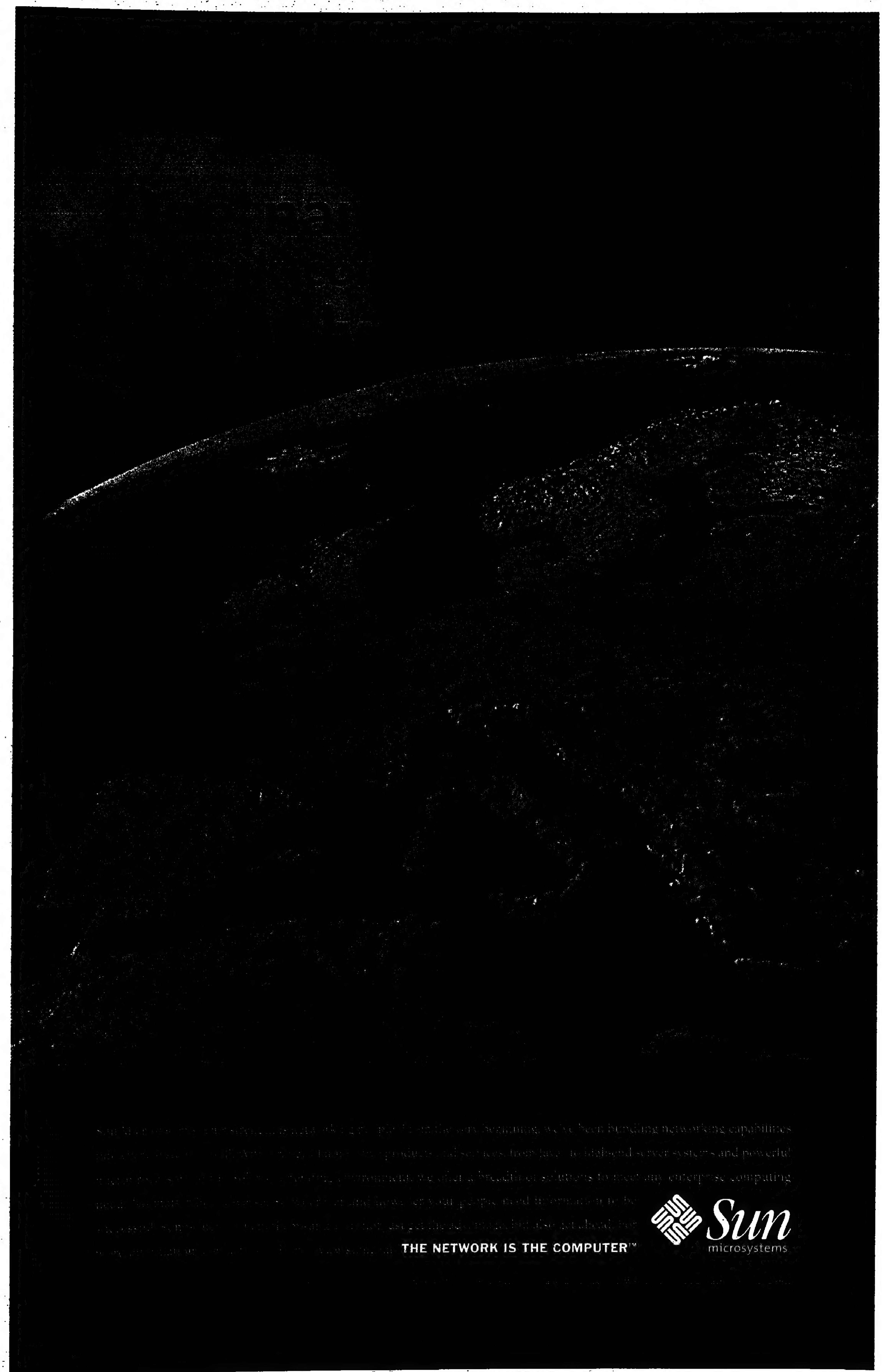
This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

| | UNITED STATES | | | | | JAPAN | | | | | GERMANY | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Narrow Money (M1) | Broad Money (M2) | Short Interest Rate | Long Interest Rate | Equity Market Yield | Narrow Money (M1) | Broad Money (M2+CDs) | Short Interest Rate | Long Interest Rate | Equity Market Yield | Narrow Money (M1) | Broad Money (M3) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
| 1986 | 13.5 | 8.1 | 6.49 | 7.67 | 3.43 | 8.9 | 8.2 | 5.12 | 5.35 | 0.84 | 9.9 | 7.3 | 4.64 | 5.90 | 1.79 |
| 1987 | 11.6 | 6.5 | 6.82 | 8.39 | 3.12 | 10.5 | 11.5 | 4.15 | 4.64 | 0.55 | 9.0 | 7.3 | 4.03 | 6.14 | 2.21 |
| 1988 | 4.2 | 5.4 | 7.65 | 8.84 | 3.61 | 8.4 | 10.4 | 4.43 | 4.77 | 0.54 | 9.8 | 6.4 | 4.34 | 6.46 | 2.61 |
| 1989 | 1.0 | 4.2 | 8.99 | 8.50 | 3.43 | 4.1 | 10.6 | 5.31 | 5.16 | 0.48 | 6.3 | 5.7 | 7.12 | 6.90 | 2.22 |
| 1990 | 3.6 | 5.5 | 8.06 | 8.55 | 3.60 | 2.6 | 8.5 | 7.62 | 6.90 | 0.65 | 4.5 | 4.5 | 8.49 | 8.66 | 2.11 |
| 1991 | 6.0 | 3.7 | 5.87 | 7.86 | 3.21 | 5.2 | 2.0 | 7.21 | 6.40 | 0.75 | 5.1 | 5.8 | 9.25 | 8.42 | 2.38 |
| 1992 | 12.4 | 2.0 | 3.75 | 7.00 | 2.95 | 4.5 | −0.4 | 4.28 | 5.24 | 1.00 | 7.1 | 8.2 | 9.52 | 7.80 | 2.45 |
| 1993 | 11.6 | 1.2 | 3.22 | 5.86 | 2.78 | 3.0 | 1.4 | 2.83 | 4.18 | 0.87 | 8.4 | 7.9 | 7.28 | 6.47 | 2.11 |
| 1994 | 6.2 | 1.4 | 4.67 | 7.08 | 2.86 | 5.4 | 2.8 | 2.12 | 4.20 | 0.78 | 6.6 | 9.0 | 5.36 | 6.86 | 1.77 |
| 1995 | −0.3 | 2.0 | 5.93 | 6.57 | 2.61 | 8.2 | 3.2 | 1.12 | 3.39 | 0.86 | 3.7 | 0.0 | 4.53 | 6.82 | 2.00 |
| 4th qtr.1995 | −1.8 | 3.9 | 5.73 | 5.89 | 2.36 | 12.9 | 3.2 | 0.43 | 2.88 | 0.81 | 4.9 | 1.3 | 4.01 | 6.32 | 2.02 |
| 1st qtr.1996 | −2.4 | 5.1 | 5.30 | 5.89 | 2.21 | 15.5 | 3.1 | 0.49 | 3.16 | 0.76 | 9.5 | 5.4 | 3.45 | 6.17 | 1.88 |
| 2nd qtr.1996 | −2.4 | 5.2 | 5.42 | 6.70 | 2.18 | 15.7 | 3.8 | 0.49 | 3.24 | 0.72 | 10.5 | 7.3 | 3.33 | 6.47 | 1.87 |
| 3rd qtr.1996 | −3.8 | 4.1 | 5.49 | 6.77 | 2.20 | 13.4 | 3.5 | 0.51 | 3.11 | 0.75 | 10.8 | 8.0 | 3.27 | 6.34 | 1.81 |
| December 1995 | −2.1 | 4.2 | 5.63 | 5.71 | 2.24 | 12.8 | 3.2 | 0.42 | 2.86 | 0.77 | 6.3 | 2.5 | 3.94 | 6.07 | 1.97 |
| January 1996 | −2.6 | 4.5 | 5.42 | 5.64 | 2.26 | 14.7 | 3.1 | 0.45 | 3.10 | 0.75 | 8.2 | 3.7 | 3.82 | 5.90 | 1.58 |
| February | −2.6 | 4.9 | 5.15 | 5.81 | 2.17 | 15.7 | 2.8 | 0.50 | 3.19 | 0.75 | 9.7 | 5.9 | 3.35 | 6.16 | 1.86 |
| March | −1.9 | 5.8 | 5.31 | 6.26 | 2.19 | 16.1 | 3.1 | 0.51 | 3.18 | 0.77 | 10.6 | 6.7 | 3.36 | 6.44 | 1.91 |
| April | −2.4 | 5.6 | 5.38 | 6.50 | 2.20 | 15.8 | 3.0 | 0.49 | 3.23 | 0.71 | 10.5 | 7.1 | 3.33 | 6.39 | 1.88 |
| May | −2.5 | 5.1 | 5.39 | 6.72 | 2.18 | 15.5 | 3.3 | 0.52 | 3.28 | 0.72 | 10.4 | 7.5 | 3.29 | 6.45 | 1.87 |
| June | −2.4 | 4.7 | 5.48 | 6.90 | 2.17 | 16.3 | 3.8 | 0.46 | 3.19 | 0.71 | 10.4 | 7.2 | 3.38 | 6.57 | 1.84 |
| July | −3.2 | 4.3 | 5.53 | 6.85 | 2.25 | 14.3 | 3.7 | 0.55 | 3.27 | 0.74 | 11.3 | 7.8 | 3.38 | 6.48 | 1.85 |
| August | −3.9 | 4.1 | 5.42 | 6.62 | 2.19 | 13.8 | 3.7 | 0.53 | 3.14 | 0.76 | 10.8 | 8.2 | 3.29 | 6.30 | 1.81 |
| September | −4.3 | 4.0 | 5.52 | 6.82 | 2.16 | 12.2 | 3.5 | 0.43 | 2.91 | 0.78 | 10.3 | 7.9 | 3.12 | 6.23 | 1.78 |
| October | −4.9 | 4.0 | 5.43 | 6.54 | 2.08 | 11.5 | 3.7 | 0.43 | 2.75 | 0.76 | 12.0 | 8.3 | 3.12 | 6.00 | 1.73 |
| November | −4.7 | 4.3 | 5.41 | 6.19 | 2.00 | | | 0.42 | 2.82 | 0.77 | | | 3.19 | 5.86 | 1.69 |

| | FRANCE | | | | | ITALY | | | | | UNITED KINGDOM | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Narrow Money (M1) | Broad Money (M3) | Short Interest Rate | Long Interest Rate | Equity Market Yield | Narrow Money (M1) | Broad Money (M2) | Short Interest Rate | Long Interest Rate | Equity Market Yield | Narrow Money (M0) | Broad Money (M4) | Short Interest Rate | Long Interest Rate | Equity Market Yield |
| 1986 | 6.9 | 6.4 | 7.79 | 8.36 | 2.85 | 10.5 | 8.4 | 13.25 | 11.47 | 1.41 | 4.0 | 15.4 | 11.02 | 10.21 | 4.35 |
| 1987 | 4.1 | 11.5 | 8.63 | 9.46 | 2.75 | 10.4 | 9.6 | 11.32 | 10.58 | 1.94 | 4.7 | 15.2 | 9.77 | 9.59 | 3.80 |
| 1988 | 3.9 | 8.3 | 7.94 | 9.08 | 3.69 | 7.8 | 8.5 | 11.24 | 10.54 | 2.71 | 6.8 | 17.3 | 10.41 | 9.62 | 4.48 |
| 1989 | 7.5 | 10.0 | 9.40 | 8.79 | 2.88 | 7.1 | 9.3 | 12.42 | 11.61 | 2.46 | 5.9 | 17.6 | 13.96 | 10.11 | 4.36 |
| 1990 | 3.6 | 9.3 | 10.32 | 9.92 | 3.19 | 9.3 | 10.1 | 11.96 | 11.87 | 2.84 | 5.3 | 18.1 | 14.82 | 11.56 | 5.07 |
| 1991 | −4.9 | 2.4 | 9.62 | 9.03 | 3.58 | 7.3 | 8.5 | 11.83 | 13.20 | 3.45 | 2.4 | 7.9 | 11.58 | 10.06 | 4.97 |
| 1992 | −0.2 | 5.4 | 10.36 | 8.57 | 3.56 | 6.9 | 7.7 | 13.86 | 13.29 | 3.63 | 2.4 | 6.1 | 9.74 | 9.09 | 4.91 |
| 1993 | 1.8 | −2.2 | 8.55 | 6.75 | 3.21 | 4.7 | 7.4 | 10.22 | 11.23 | 2.35 | 4.9 | 3.5 | 5.99 | 7.40 | 4.01 |
| 1994 | 2.9 | 0.7 | 5.84 | 7.21 | 2.99 | 6.6 | 5.1 | 8.48 | 10.56 | 1.57 | 6.4 | 5.0 | 5.57 | 8.01 | 3.94 |
| 1995 | 8.4 | 4.7 | 6.60 | 7.53 | 3.17 | 0.2 | 0.4 | 10.38 | 12.22 | 1.72 | 5.9 | 7.2 | 6.77 | 8.16 | 4.15 |
| 4th qtr.1995 | 8.4 | 4.7 | 6.14 | 7.10 | 3.25 | 0.5 | 1.9 | 10.80 | 11.59 | 1.77 | 5.5 | 9.4 | 6.71 | 7.77 | 4.04 |
| 1st qtr.1996 | 7.5 | 2.3 | 4.47 | 6.55 | 3.10 | −0.8 | 2.5 | 9.88 | 10.57 | 1.74 | 5.7 | 10.1 | 6.28 | 7.72 | 4.15 |
| 2nd qtr.1996 | 7.1 | 1.0 | 3.98 | 6.51 | 3.02 | −0.7 | 3.6 | 9.01 | 9.89 | 2.24 | 6.6 | 9.9 | 6.06 | 8.06 | 4.08 |
| 3rd qtr.1996 | 5.2 | −0.6 | 3.86 | 6.35 | 3.16 | 1.4 | 4.1 | 8.59 | 9.38 | 2.49 | 7.2 | 9.4 | 5.83 | 7.85 | 4.13 |
| December 1995 | 8.4 | 4.7 | 5.60 | 6.76 | 3.23 | 1.3 | 2.5 | 10.51 | 11.18 | 1.74 | 5.9 | 9.8 | 6.57 | 7.48 | 4.04 |
| January 1996 | 5.3 | 4.0 | 4.70 | 6.44 | 3.08 | 0.4 | 2.6 | 10.01 | 10.47 | 1.86 | 5.4 | 10.5 | 6.45 | 7.41 | 4.19 |
| February | 4.3 | 3.0 | 4.42 | 6.58 | 3.11 | −1.2 | 2.4 | 9.84 | 10.54 | 1.87 | 6.2 | 10.0 | 6.24 | 7.72 | 4.06 |
| March | 7.5 | 3.3 | 4.27 | 6.64 | 3.10 | −1.8 | 2.3 | 9.80 | 10.71 | 1.90 | 5.6 | 9.8 | 6.14 | 8.05 | 4.19 |
| April | 4.2 | 1.9 | 4.00 | 6.51 | 3.02 | −1.8 | 2.8 | 9.62 | 10.35 | 2.14 | 5.8 | 10.0 | 6.09 | 8.05 | 4.02 |
| May | 5.8 | 1.8 | 3.90 | 6.46 | 3.01 | −0.5 | 3.8 | 8.84 | 9.72 | 2.25 | 6.4 | 9.9 | 6.12 | 8.09 | 4.08 |
| June | 7.1 | 1.0 | 3.98 | 6.56 | 3.02 | 0.2 | 4.4 | 8.65 | 9.59 | 2.33 | 7.5 | 9.8 | 5.94 | 8.05 | 4.15 |
| July | 4.4 | 0.2 | 3.84 | 6.46 | 3.15 | 0.6 | 4.3 | 8.66 | 9.45 | 2.46 | 7.1 | 9.0 | 5.80 | 7.91 | 4.21 |
| August | 6.8 | −0.1 | 3.98 | 6.35 | 3.20 | 1.8 | 4.4 | 8.70 | 9.50 | 2.48 | 7.5 | 9.4 | 5.84 | 7.82 | 4.12 |
| September | 5.2 | −0.6 | 3.75 | 6.24 | 3.13 | 1.9 | 3.7 | 8.39 | 9.19 | 2.53 | 7.0 | 9.9 | 5.87 | 7.81 | 4.06 |
| October | 5.6 | −0.4 | 3.51 | 5.97 | 3.00 | 3.2 | 3.5 | 7.98 | 8.34 | 2.33 | 7.4 | 10.3 | 6.02 | 7.51 | 3.93 |
| November | | | 3.47 | 5.84 | 2.90 | | | 7.39 | 7.72 | 2.28 | 7.5 | | 6.40 | 7.58 | 4.00 |

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

هكذا من الأصل



Market intends to remain independent and become European centre of energy trading

# Petroleum exchange scorns Liffe merger

By Simon Holberton in London

The International Petroleum Exchange has rebuffed suggestions that it might merge with the London International Financial Futures Exchange. It plans to remain independent and become the centre of energy trading in Europe.

Liffe is the one of the world's top five futures exchanges. It took over the London Commodity Exchange in September. The IPE was surprised when Mr Jack Wigglesworth, chairman of Liffe, said recently that the IPE was a potential takeover target for Liffe.

A meeting last week of the IPE's board determined that it was the "clear and strong view" of the membership that the IPE remain independent, said Mr Lynton Jones, the IPE's chief executive.

"The group thought that this would put an end to speculation about Liffe 'taking over' the IPE, speculation which has been unwelcome to Liffe as it has to the IPE," he said. The board had also decided that the exchange should position itself as the leading exchange specialising in the trading of energy contracts.

The exchange's business is dominated by Brent crude oil and gas oil trading. At the end of next month it will introduce a futures contract for gas.

It hopes to expand gas trading opportunities towards the end of next year with a Buckton contract which it hopes will develop into a European gas futures contract. The gas interconnector with mainland Europe comes ashore at Buckton in north-east England.

Mr Jones said the exchange hoped to develop a product range to take advantage of the coming deregulation of European energy markets.

It would also look at developing its core areas, such as futures and options contracts for petrol and heavy crude oil. Mr Jones said that, with the deregulation of the electricity supply in 1998, there might be opportunities for the IPE to introduce financial instruments for the trading of electricity.

As part of a strategic reappraisal the IPE will create a group, drawn from those among the energy industry which use the market, to advise the exchange on the sector's developments and future product needs.

It also decided to expand screen-based trading, to extend trading hours and resolved that new contracts would be traded electronically rather than on the floor of the exchange.

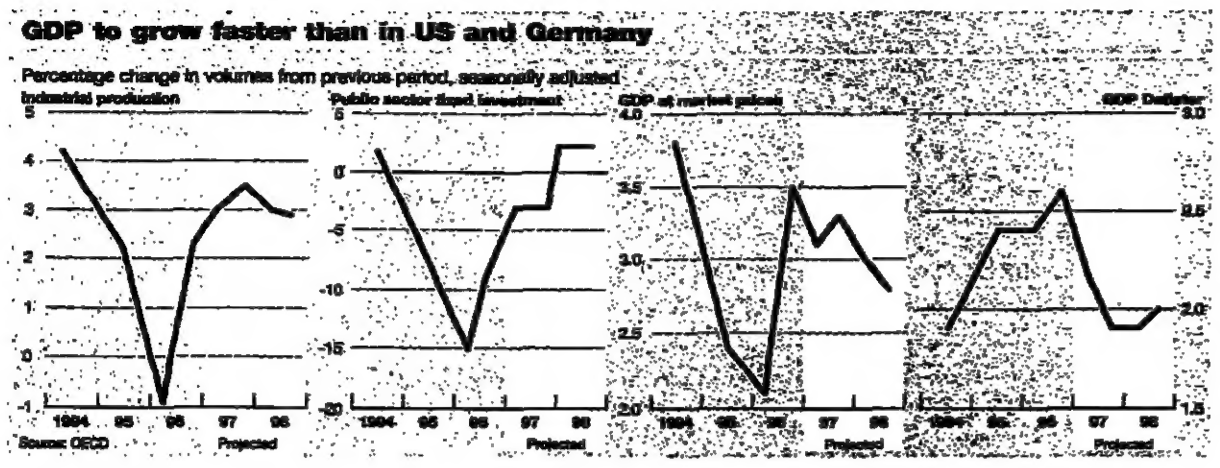
The IPE, which has a membership of 45, has an annual turnover of about $338.7bn; Brent crude oil contacts amount to $236.9bn.

Market Report, Page 26

# OECD urges cut in state borrowing

By Graham Bowley, Economics Staff

GDP to grow faster than in US and Germany



The UK is set to enjoy its best period of sustained growth and low inflation for 30 years, the Organisation for Economic Co-operation and Development says in its latest report on the country.

But it calls for "significant further progress" to cut borrowing if the government is to achieve its target of bringing the public-sector borrowing requirement into balance in the coming years.

The organisation, which acts as a free-market think-tank for industrialised nations, says that GDP growth is set to strengthen next year, helped by stronger consumer spending and a pick-up in investment.

The OECD predicts GDP growth of 3.3 per cent in 1997 and 3 per cent in 1998. This would be faster than in the US, Japan, Germany, France and Italy. The report says only Canada among the Group of Seven – consisting of the world's leading industrialised nations – is forecast to achieve faster growth.

UK unemployment is forecast to fall to below 7 per cent of the labour force in 1998 – its lowest level in eight years.

But this would not be low enough to fuel wage pressures since it would still be above its long-term structural rate, which the OECD predicts will decline to 6.5 per cent.

The OECD takes a rosy view of monetary conditions, predicting that price pressures are likely to remain under control and that inflation will be below 2.5 per cent, the upper limit of the government's target range, in each of the next two years.

It says wage growth has been "remarkably low" and that productivity growth is "healthy".

"To date these are the most tangible signs of the positive benefits of past and ongoing microeconomic reforms and a stable macroeconomic policy framework," the report says.

The good inflation performance can be achieved, according to the OECD, with only a small rise in base rates in the second half of next year "to lock in low inflation levels".

It predicts that short-term interest rates will rise to about 6.25 per cent in the second half of 1997 and remain there through 1998.

But while private-sector investment will gather pace as the economy strengthens, the OECD predicts that public-sector investment will fall sharply.

Only some of this decline will be offset by private-sector investment administered under the private finance initiative.

It predicts public investment will fall by 4.6 per cent next year following a 13.6 per cent decline this year.

# Fund dealing offered on Net

By Nicholas Denton in London

Flemings, the UK investment banking and fund management group, has decided to enable retail customers to deal in its funds over the Internet.

The company said it would permit clients to open an account over the Internet and thereafter buy, sell or switch between 23 equity funds and five money-market funds in its Flagship series.

A prospective client must apply on paper to deal on-line and receive a credit limit. The user can then make or unwind investments without the need for voice or written communication.

Of the 3,600 independent financial advisers who act as intermediaries between Flemings and individual investors, the fund management company estimates that 70 per cent have access to the Internet.

In the financial services sector, the Internet's first significant impact has been in discount retail stockbroking. E*Trade, a four-year-old US venture which offers only an electronic service, has undercut traditional brokers by charging $14.95 per trade.

More recently, US investment banks have begun delivering research over the Internet to institutional clients and privileged retail investors.

One of these, Montgomery Securities, plans to measure the popularity on the Internet of different reports and reward its analysts accordingly.

The fund management industry in Europe, after lagging behind, is now making more use of electronic communications.

Fidelity Investments, the US fund manager, offers clients and intermediaries in Europe on-line access to valuations for all its products, albeit only to users who install special software on their personal computers.

Flemings' Luxembourg business, which runs the pan-European funds, first began posting performance data on funds on the Internet last year.

By reducing printing and postage costs by about one-third and generating about 150 sales leads a month, the move improved monthly operating profits by about £20,000 ($32,800).

Electronic Share Information, the UK venture which designed Flemings' new dealing service, itself provides prices on about 2,600 unit trusts as well as individual securities but has generated little more than 1,000 on-line transactions in a year of operation.

# Premier says nation's EU status may change

By Robert Peston and George Parker

Mr John Major, the prime minister, conceded yesterday that the UK's relationship with the European Union was likely to change fundamentally next year if the Conservatives were re-elected in the general election.

Reporting to the House of Commons on the EU summit in Dublin, Mr Major said that choices to be made next June on a revised EU treaty "will determine not only the success and stability of Europe as a whole, but Britain's relationship with it".

This was seized on by Eurosceptic backbenchers in his party as a sign that Mr Major would be prepared to contemplate leaving the EU if it moved towards federalism. However, close colleagues of the prime minister said this was the wrong interpretation. Instead, Mr Major was signalling that he no longer opposes in principle the notion that the UK should withdraw to the fringe of Europe's future development. He was giving his blessing to the creation of a new flexible structure for the EU, which would allow other members to move farther down the road to political integration.

"We cannot be permanently cast in the role of kicking against the aspirations of other members for closer links," said a senior member of the government. Mr Major believes he initiated the debate on the need for "flexibility" in the EU's future development with a speech made two years ago. The concept has recently been sponsored by the French and German governments.

He made clear yesterday that the UK would retain its veto over any specific initiatives by other countries to move closer together. The aim would be to preserve the benefits the UK now receives from EU membership. "There is no way we are going to move the clock back so that our only interest was in free trade," said an influential minister.

Mr Major's statement came when EU issues once again dominated the battle between the British political parties. Mr Douglas Hogg, agriculture minister, bowed to pressure from farmers and Northern Ireland MPs and ordered the selective cull of about 100,000 extra cattle in an attempt to persuade the EU to lift its ban on British beef exports.

Mr Hogg said the cull would cost around £150m ($246m) and could be completed within six months. He hopes it may lead to an eventual lifting of the ban on exports from herds certified as being free of BSE, or "mad cow disease". Many of the herds are in Northern Ireland.

# Veto threatened over fish quotas

By George Parker, Political Correspondent

The government yesterday set out proposals for fundamental changes to the European Union's Common Fisheries Policy in an attempt to defuse fierce criticism from Northern Ireland MPs and Eurosceptics in the governing Conservative party.

Mr Tony Baldry, fisheries minister, said Britain would press for an end to the so-called "Hague Preference" agreement under which Northern Ireland fishermen have recently lost fish quotas to their counterparts in the Republic of Ireland.

He insisted that Britain would veto any deal at the EU's intergovernmental conference until the practice of "quota hopping" – whereby about 150 Spanish and Dutch boats operate against British quotas – is stamped out.

Mr Baldry, opening the annual House of Commons fisheries debate, also called for a decentralisation of the CFP so that quotas could be decided at a local level by regional fisheries committees.

"The CFP is over-bureaucratic, it has failed to protect fish stocks sustainably, it is open to abuse and – above all – it is not fair to British fishermen," he said.

Mr Baldry's main concern in last night's debate was to reassure MPs in the Ulster Unionist party, the largest anti-nationalist party in Northern Ireland, that he was tackling the concerns of their local fishing industry. He announced an international quota swap which would primarily benefit the Northern Ireland industry.

Despite the prevailing air of gloom hanging over the British fishing industry, Mr Baldry said there were signs that the fortunes of the national fleet were improving.

# Channel tunnel revenues at half normal level

By Charles Batchelor, Transport Correspondent

Passenger trains through the Channel tunnel between England and France have been running at well below capacity, but Eurotunnel and Eurostar say they are pleased with levels of business since services resumed after the recent fire. Eurotunnel is the tunnel operator and Eurostar runs the passenger trains.

Eurotunnel has insurance cover of £550m ($900m) for material damage and loss of revenues. With the level of services bringing in just over half the normal monthly revenues of £45m, the company believes it could maintain its present level of traffic for many months.

Eurotunnel's insurers are already making payments to the company under this policy, the company said. Its own direct exposure is limited to a £7m "excess".

The company estimates that repairs to the tunnel will cost £50m at most, while replacement of the freight shuttle damaged in the fire will cost £10m to £15m. Claims to cover damaged trucks and their contents may cost £5m, compared with the £180m third party cover taken out by the company. Part of these claims may be passed on to the insurer of the owner of the truck where the fire started.

After initial problems in re-allocating bookings to its modified timetable, Eurostar has been taking between 13,000 and 15,000 telephone bookings a day for journeys in January and February. It has carried between 55,000 and 60,000 passengers in total since resuming services 10 days ago.

Eurostar has been given priority for its trains by Eurotunnel and is running 90 per cent of normal services. It hopes to add two extra trains on Fridays from the end of January to cope with weekend peaks.

Eurotunnel said it had been carrying about 3,000 cars with accompanying passengers on trains every day since it restarted its car shuttle service last Tuesday. It is running three trains every two hours and, after averaging out the busy daytime shuttles and the quieter night time service, it estimates trains are half full.

The circumstances of the fire aboard a freight shuttle on November 18 have focused attention on shuttle design although, unlike their freight equivalents, the passenger shuttles are enclosed.

## UK NEWS DIGEST

# Murdoch TV row deepens

The Cable Communications Association may challenge in court yesterday's Office of Fair Trading decision to approve a new pricing structure for the industry. The OFT enraged cable operators by accepting a new rate card proposed by British Sky Broadcasting, the satellite television venture in which Mr Rupert Murdoch's media conglomerate has the biggest stake.

The rate card controls what BSkyS is able to charge the cable companies for its television channels and thus affects what cable operators charge their customers. The cable industry is also considering complaining to the European Commission because of what it sees as anti-competitive behaviour by BSkyB. The increasingly bitter row between BSkyB and the cable companies which are, in effect, retailers of its services to households without satellite dishes, stems from BSkyB's terms of trade.

Earlier this year, the OFT cleared BSkyB of abusing its market dominance but sought a series of informal undertakings and asked BSkyB to produce a new ratecard. The BSkyB share price rose by 13 pence yesterday to 489½ pence in London yesterday. *Raymond Snoddy*

■ CABLE BROADCASTERS

## BBC in talks on new channels

The BBC, the public service broadcasting organisation, is in talks with the cable industry on the possibility of offering eight new television channels to cable operators on an exclusive basis.

The channels are being planned as part of a joint venture with Flextech, the cable and satellite programme company controlled by TCI, the largest cable operator in the US.

A deal with Flextech and a related agreement with Discovery, the documentary channel in which TCI has a 49 per cent stake, are on course to be completed by the turn of the year. BBC executives say that negotiations are going well.

The BBC has also been exploring a possible deal with British Sky Broadcasting. BSkyB has a particular desire to attract the BBC channels as part of its strategy to launch up to 200 channels of digital satellite television in the UK before the end of next year. *Raymond Snoddy*

Editorial Comment, Page 17

■ ARREST WARRANT

## Barred executive avoids court

A warrant has been issued for the arrest of Mr Roger Levitt, the former life insurance executive convicted of fraud, who has been living in New York for the past few months while under investigation by the British government's Department of Trade and Industry.

Mr Levitt, who has been disqualified from acting as a director, failed to appear in a London court yesterday to answer charges of being a "shadow director" of a boxing company.

The court agreed to a request from a government lawyer for a warrant without bail. This allows Mr Levitt to be taken into custody immediately, if apprehended.

In 1993 Mr Levitt was disqualified from acting as a director for seven years after his insurance company, Levitt Group, collapsed in 1990 with debts of £38m. His sentence to 180 hours of community service in connection with the fraud sparked outrage in the City of London, particularly when Mr Levitt was photographed sipping champagne to celebrate the sentence.

A DTI spokesman last night said it is unclear whether Mr Levitt could be extradited to Britain in connection with the charges. *Norma Cohen*

■ AIR DEFENCE

## 'Virtual reality' bomber study

The defence ministry is to launch a £35m ($57.4m) study into the replacement for the Royal Air Force's Tornado bombers, which are due to leave service in 2015. One option to be examined by the ministry is a pilotless aircraft, which would be "flown" with a virtual reality cockpit by pilots from command aircraft in airspace safe from enemy missiles.

The pilotless aircraft could be much lighter without the crew's life-support system and would also be more manoeuvrable, as the limits of the human body, rather than aircraft design, constrain the performance of modern fighters. *Bernard Gray*

■ CULTURE

## Sector employs nearly 500,000

The UK cultural sector employs nearly 500,000 people – or twice as many as vehicle manufacturing, says the Policy Studies Institute. Consumer expenditure on the sector in 1993/94 totalled £5bn ($8.2bn) or 5 per cent of average family expenditure.

Within that "high culture" – or the part of the market which appears to need subsidy to survive – accounted for £2.25bn, employing some 125,000 people, collecting on the way £1.7bn of support from government, municipal authorities, business, charities and volunteers.

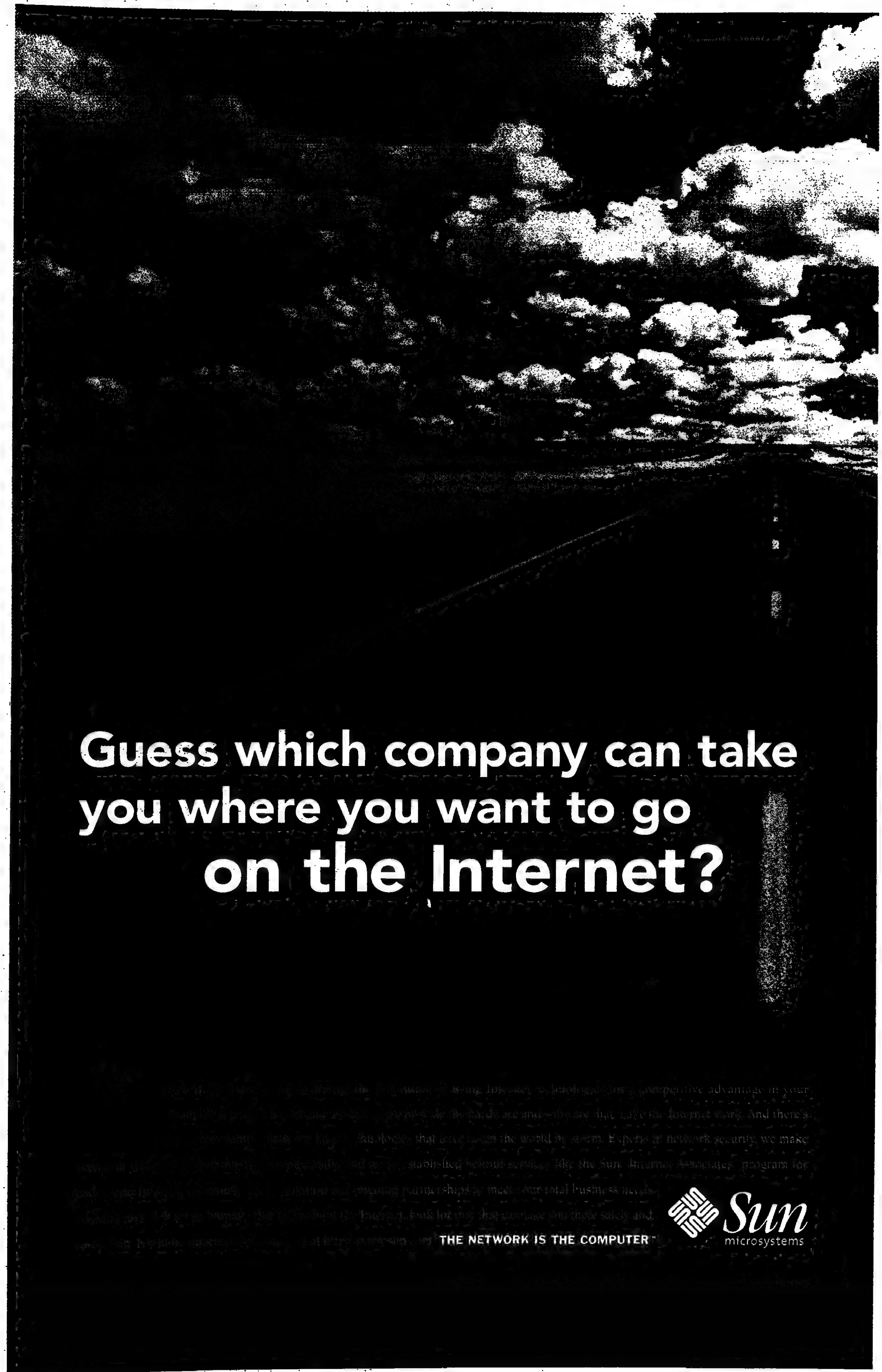
In that year, there were as many visitors to museums, galleries and historic properties as there were to the cinema – while London theatres attracted audiences at least as large as those won by Premier League soccer clubs over the season. *Nicholas Timmins*

■ NORTHERN IRELAND

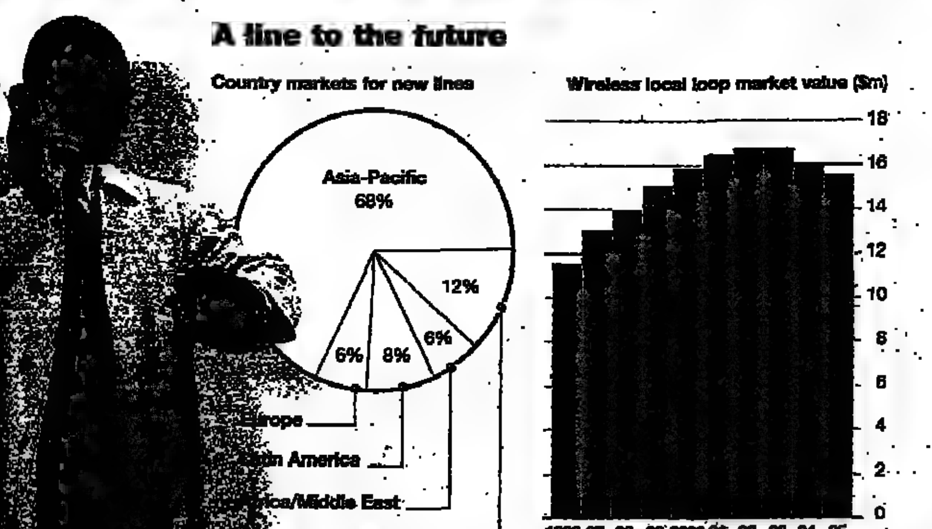
## Explosives found near border

Security forces in Northern Ireland have found explosives in a vehicle abandoned in a field near Roslea, a small town close to the border with the Republic of Ireland, police said yesterday. The vehicle also contained booster tubes, into which explosives are packed before being detonated.

هكذا من الأصل



## TECHNOLOGY



# Another wave

## Radio advances are helping small companies compete in local network telecoms, says **Geoff Nairn**

As telecommunications monopolies crumble around the world, policymakers are keen to encourage competition not just in long-distance services but also in the more difficult area of local networks. New radio technology could help by allowing smaller companies to bypass the copper wires of incumbent operators and offer a richer range of services.

Recent developments in technology could rewrite the competition rules by allowing new operators to install fixed wireless links that can reach users more cheaply and quickly than conventional wireline connections.

The local loop – the copper wires that link homes and offices to their exchange – has traditionally been one of the most expensive, least profitable portions of the telecommunications network. In rural areas, lines can cost 15 to 30 times as much to install as in cities.

The US, which has had competing long-distance providers for more than a decade, this year decided to open the local loop to competition by ending the local monopolies of the seven "Baby Bells". The European Commission is also keen to encourage alternative local loop providers.

Traditional copper wires cannot easily carry the advanced services that telephone companies want to offer, although researchers have discovered ways to increase the data-carrying capacity. Optical fibre is ideal for broadband services but is too expensive to stretch to every home and office.

Coaxial cable is a more realistic local loop option. It has greater capacity than copper and extensive coaxial networks exist in countries with cable television.

It is technically simple to upgrade these cables to carry telephone calls, although TCI Communications, a leading US cable TV company, estimates that it would cost more than $200 (£122) a home to do so.

Investors have recently turned against the cable TV companies and their ambitious plans to compete with the Baby Bells in local telephone services. The economies of scale of "wireline" – copper or cable – local loops strongly favour the incumbent operator. Newcomers must build their networks from scratch and digging streets is costly and time-consuming. Payback times are long and only 25 per cent of the homes passed will typically switch to the new operator.

Radio has been used to bring telephone services to rural areas for many years. This continues to be the main market for wireless local loop (WLL) technology, particularly in developing countries, but analysts believe WLL is an increasingly attractive option for new operators seeking to enter developed markets.

"The cost of entry is much less than digging up roads," says Adrian May, a consultant with analyst Ovum, which has published a report on WLL. It forecasts the worldwide WLL market will grow from $11.2bn this year to $16.5bn in 2001.

Ionica, a new UK operator, is building a nationwide network using WLL to provide its local loop. The company says the cost of connecting each home is just 10 per cent of using wireline connections.

Analysts say the cost differential depends on various factors but accept WLL is generally cheaper and quicker to install than copper infrastructure.

WLL technology was once basic, with poor voice quality, but today's systems can provide services that are indistinguishable from or better than those of the incumbent wireline operator.

Atlantic Telecom is a small UK company that is building a WLL network for 750,000 potential users in the Strathclyde area of Scotland by the end of next year.

A limited service was launched in October and Graham Duncan, the chairman, believes the company can compete with British Telecommunications, the dominant operator, by being "feature-rich and innovative". Each customer gets two telephone lines as standard. Other benefits include voice mail, portable numbers, local-rate calls within Scotland and, next year, high-speed ISDN access to appeal particularly to Internet users.

Atlantic Telecom was once a cable TV operator but has decided WLL is a more cost-effective method of entering the telecommunications market. "Unlike cable you do not need to pass people who do not want the service," says Duncan, who says it costs the company just £35 to connect each user.

**Wireless local loop technology was once basic but can now provide high quality services**

WLL also appeals to established telephone companies that must expand their networks to meet government targets. South Africa is planning to install 1m new telephone lines in the next three years in once-neglected areas such as Soweto.

More than 50 per cent could be realised with WLL, according to Tony Maher, head of access networks for Siemens, the German telecoms equipment maker.

Siemens is bidding for this contract with a no-frills WLL system based on digital cordless technology, but it is also developing a more advanced technology, called Broadband Code Division Multiple Access (B-CDMA), with US company InterDigital.

This offers better speech quality and higher data transmission rates, but is 30 per cent more expensive than established technologies, says Maher.

"The beautiful thing about B-CDMA is that it can handle raw data better," says Mark Lemmo, InterDigital's marketing vice-president. B-CDMA uses its radio bandwidth more efficiently, he says, and is better suited to dense urban areas than earlier WLL systems.

B-CDMA allocates bandwidth more efficiently than is the case with earlier wireless systems, so it can handle a range of traffic with different bandwidth requirements, from simple phone calls to high-speed Internet access. "There is rapidly growing interest in accessing the Internet using wireless," says Lemmo. InterDigital hopes to demonstrate its technology early next year.

The US companies Lucent, Millicom and Qualcom are working on competing systems and WLL has become a hot sector with investors. But analysts are cautious about these newer technologies. "Can these companies deliver working systems? That is the crucial issue for telephone companies that want to place orders," says Ovum's May.

## **Andrew Baxter** on an engineer who has helped to improve the quality of cellular networks

# Business built on phone frustration

Victor Kiam will forever be remembered as the man who liked the product so much, he bought the company. Others become so irritated by a product's performance problems that they build businesses around making them easier to use.

Nick Randall, for example, was an enthusiastic early user of cellular mobile phones. But he found the experience of poor reception and call "drop-outs" – calls cutting out when transferring between adjacent cells – frustrating.

Randall, an engineer and former senior executive in the medical manufacturing sector, was in a better position than most to do something about it.

In 1988 he had bought Aylesbury-based Airtech, which made multicouplers for the Royal Navy. These allow simultaneous radio transmission over a wide range of UHF channels using a single antenna.

Randall believed the expertise necessary to build multicouplers – the ability to filter and combine radio frequency (RF) signals – could be developed commercially. From 1989 to 1993 the company concentrated on products and RF subsystems for private mobile radio (PMR) networks, the sort used by police and emergency services.

"This was growing nice and steadily, and we were quite profitable," says Randall, "but we wanted to make the next step, into the cellular market."

He created a special team from Airtech's engineers to look at how the company's technology could improve the performance of cellular networks.

The result was the masthead amplifier (MHA). Many base stations suffer from "link imbalance" – they can transmit a strong, clear signal further than they can receive weaker signals returning from the mobiles.

But an MHA, comprising a particularly sensitive filter and a low noise amplifier which select and boost the received signal, can act as a "hearing aid" for the base station. Installed immediately underneath the antenna, the MHA eliminates link imbalance and extends the reception area coverage.

For the user, the result is improved reception quality and a reduced number of call drop-outs. The service provider gets improved coverage from its existing network, says Randall, or can plan a new network with fewer base stations, reducing infrastructure costs.

Airtech developed a prototype MHA in 1994, and in the same year began a successful trial of the product with the Orange network in the UK.

This was a huge help for Airtech, says Randall: Orange was the first to use the high-frequency 1.8GHz to 1.9GHz range for networks known as PCN or PCS (personal communication networks or services).

**Cellular phone subscribers are expected to soar from 130m to 300m by 2000**

These networks have more bandwidth than the older generation, lower frequency (800MHz to 900MHz) GSM cellular networks, but the signal cannot travel so far – potentially increasing the number of base stations required.

Airtech won its first orders early last year from manufacturers and PCN/PCS service providers in the UK and mainland Europe, and earlier this year established a subsidiary in the US to exploit a market that is predicted to expand rapidly following the recent award of PCS licences.

Airtech is not the only MHA producer – others include Ericsson, Allgon and Forem – but Randall says "we like to feel we were the first to do this".

In any case, there looks to be plenty of work to go round. The number of cellular phone subscribers is expected to soar from about 130m worldwide today to 300m by 2000, and MHAs are a cost-effective way to improve coverage, says Randall. On average, six MHAs are sold per base station – one for each antenna – and the whole package with accessories costs £6,000 to £8,000.

At Aylesbury, Airtech is producing 600 MHAs a week, compared with 1,000 for all last year. Total sales this year are likely to be at least £7.5m, including £5.5m to £6m from MHAs and related equipment, and could reach £17.5m next year.

The surge in sales has created challenges for Randall and his team. Developing the market – by selling to the OEMs (original equipment manufacturers) and marketing the idea to the service providers – has gone better than Randall expected.

"There are only 10 main OEM customers worldwide," says Randall, "and we were able to build on the relationships we had developed in PMR."

Ramping up production, however, was more difficult. In some areas, such as the tuning and final testing of MHAs, the necessary skills were underestimated.

The investment in MHA pushed Airtech into the red in 1994 and 1995, and this year it expects a further loss of about £500,000, before the costs of this autumn's £10m placing on London's Alternative Investment Market.

But if sales do rise sharply next year, as projected, Airtech will be back in the black, and annual turnover of £100m by the end of the decade is not unreasonable, says Howard Barrow, financial director.

Long before then, Airtech's family of MHA products will have been broadened. Launch of a range of MHAs compatible with existing GSM networks is imminent, while next year should see the arrival of MHA boosters, which amplify the transmitted signal as well as the incoming one.

## LEGAL NOTICES

THE KOREA CHINA SUPER FUND LIMITED
(IN VOLUNTARY LIQUIDATION)

NOTICE IS HEREBY GIVEN:-

1. THAT at an Extraordinary General Meeting of the above name company, duly convened, and held on Friday 6, December 1996, the following Resolutions were duly adopted:
AS A SPECIAL RESOLUTION THAT the company be wound up voluntarily;
AS AN ORDINARY RESOLUTION THAT Messrs G.J. Cleaver and N.C. Bodden of Ernst & Young, Cayman Islands, be and are hereby appointed as Joint Liquidators to the Company.
2. THAT the creditors of the Company are required on or before January 24th, 1997 to send in their names and addresses and full particulars of their debts or claims to the Liquidators. In default thereof creditors will be excluded from the benefit of any distribution made before such debts are proved. In the first instance claims should be sent by fax to David Fairclough, Ernst & Young, Cayman Islands (fax no. 1-345-949-8493), but a creditor may be required either to submit the original claim or sign a formal proof of debt in statutory form.
3. THAT pursuant to Section 144 of the Companies Law the Final Extraordinary General Meeting of the Company will be held on January 27th, 1997 at 10.00 am at the offices of Ernst & Young, One Capital Place, Shedden Road, George Town, Grand Cayman, Cayman Islands for the purpose of receiving from the Liquidator an account of the winding up of the Company and any explanation thereof.

G.J. Cleaver
Joint Liquidator.
Dated this 10th day of December, 1996

No. 6951 of 1996
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF FIRST CALL GROUP PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 6 December 1996 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the Company from £31,999,999.54 to £5,320,391.51.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Registrar of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on 22 January 1997.

ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the under mentioned solicitors on payment of the regulated charge for the same.

Gouldens of 22 Tudor Street
London EC4Y 0JJ
Tel: 0171 583 7777
Fax: 0171 583 3051
Ref: JEG/361/657499

STANIFORTH STEELS LIMITED
Registered number: 1141353
Trade classification: 6
Date of appointment of Joint Administrative Receivers: 6 December 1996
Name of appointor: National Westminster Bank Plc
DAVID JOHN STOKES and DAVID JAMES WATERHOUSE
Joint Administrative Receivers
(office holder nos 2682 and 5732) of
Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET

SEINGREEN LIMITED
Registered Number: 1721793. Former Name: BWOC Limited. Nature of business: Wholesale Suppliers of Fuel Oils. Date of appointment of administrative receivers: 26th November 1996. Name of person appointing administrative receivers: Mabanaft Limited. Joint Administrative Receivers: G L DOWN and R J JONES both of Begbie Norton, 27 Queen Square, Bristol, BS1 4ND (Office holder numbers: 8600 & 8715)

INSURANCE COMPANIES ACT 1982
(AS AMENDED)
WESLEYAN ASSURANCE SOCIETY
TRANSFER OF GENERAL BUSINESS

NOTICE IS HEREBY GIVEN that Wesleyan Assurance Society applied to the Secretary of State for Trade and Industry on 2nd December 1996 for his approval pursuant to Section 49 and Schedule 2C Part II of the Insurance Companies Act 1982 to transfer to General Accident Fire and Life Assurance Corporation P.L.C. all of its rights and obligations under general business policies written by it in the United Kingdom prior to 1 August 1995.

Copies of the Statement of Particular's of the proposed transfer are available for inspection at Colmore Circus, Birmingham B4 6AR - Monday to Friday between 9.00 am to 5.00 pm until 31st January 1997.

Written representations concerning the transfer may be sent to the Secretary of State for Trade and Industry, Department of Trade and Industry, Insurance Directorate IC, 1 Victoria Street, London SW1H 0ET before 28th February 1997. The Secretary of State will not determine the application until after considering any representations made to him before that date.

In the High Court of Justice No. 006181 of 1996
Chancery Division
Companies Court
IN THE MATTER OF BURAVON LIMITED
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division, dated 27th November 1996 confirming the reduction of Share Premium Account of the above company by £1,244,952 was registered by the Registrar of Companies on 2nd December 1996.

DATED the 13th December 1996.

Slaughter and May
35 Basinghall Street
London EC2V 5DB
Ref: RLH
Solicitors for the above named company.

In the High Court of Justice No. 006182 of 1996
Chancery Division
Companies Court
IN THE MATTER OF BLENHEIM EXHIBITIONS AND CONFERENCES LIMITED
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division, dated 27th November 1996 confirming the reduction of Share Premium Account of the above company by £61,761,338 was registered by the Registrar of Companies on 29th November 1996.

DATED the 13th December 1996.

Slaughter and May
35 Basinghall Street
London EC2V 5DB
Ref: RLH
Solicitors for the above named company.

هكذا من الاصل

## LAW

# BT loses challenge

EUROPEAN COURT

The special rights enjoyed by British Telecommunications in international telecommunications gave it the status of a "telecommunications organisation" subject to the leased lines directive, the European Court of Justice ruled.

BT had challenged the implementation of the directive in the UK. It argued that as it did not enjoy special or exclusive rights within the meaning of the open networks directive, it should not be subject to the obligations in the leased lines directive.

It also claimed that even if the UK was entitled to impose those obligations on it, the principle of non-discrimination required the UK also to impose those obligations on all operators authorised to provide leased lines.

Finally, BT argued that the obligation to provide a minimum set of leased lines possessing certain harmonised technical characteristics, infringed the principle of proportionality, since there was no demand for such services in the UK.

Mercury Communications and Kingston-upon-Hull Communications supported BT's challenge.

The High Court referred a number of questions to the Luxembourg Court. It asked whether the leased lines directive was applicable to "telecommunications organisations" within the meaning of the open networks directive, such that it applied to public or private bodies to which a member state had granted special or exclusive rights for the provision of a public telecoms network or public telecoms services.

The court was also asked to particularise the definition of those rights.

The court ruled that special or exclusive rights were generally granted by a member state's authorities to an undertaking or a limited number of undertakings, otherwise than by objective, proportionate and non-discriminatory criteria.

Such rights would generally also substantially affect the ability of other undertakings to provide or operate telecoms services or networks in the same geographical area under substantially equivalent conditions.

The fact that more than 100 public telecoms operators were notified to the European Commission by the UK as "telecommunications organisations" under the open networks directive did not mean that the rights enjoyed by those undertakings had to be regarded as special or exclusive, but such notification raised a strong presumption that they were.

Also, the grant of a licence did not give those operators special or exclusive rights within the directives.

However, the licences then still held only by BT and Mercury to operate international lines, were sufficient to constitute the grant of special or exclusive rights. Those undertakings therefore had to be regarded as "telecommunications organisations" within the meaning of the directives.

If Kingston's licence was issued in accordance with criteria which were neither objective nor proportionate nor free from discrimination, and gave it the exclusive right to operate a public telecoms network in a specific area, it also had special and exclusive rights.

The court concluded that a member state was entitled to impose the obligations to provide a minimum set of leased lines with defined technical characteristics on only some telecoms organisations. It was also entitled to impose those obligations only on those organisations which were the principal operators of telecoms lines in each of the geographical areas of its territory.

*C-302/94: R v Secretary of State for Trade and Industry, ex parte British Telecommunications plc, ECJ FC, December 12 1996.*

BRICK COURT CHAMBERS, BRUSSELS

## INTERNATIONAL PEOPLE

### New chairman for the KCRC

Yeung Kai-yin, who takes over the driving seat at Hong Kong's Kowloon-Canton Corporation (KCRC) on December 24, is under no illusions about the size and difficulty of the task facing him.

As chairman and chief executive of the government-owned railway company, he will be responsible for both the agreed expansion – taking the line up to the more remote north-west New Territories – and the proposed extensions that ran aground amid complaints from Beijing.

His predecessor, Kevin Hyde, decided not to seek a further term with the KCRC, as Beijing's wrangling over the proposed cross-border link intensified. Beijing has objected to both the cost and Hong Kong's failure to keep its officials informed of developments.

However, with Hong Kong's change of sovereignty just six months away, the position was broadly tipped to be localised; advertisements post specified applicants with Cantonese, the dialect of Hong Kong and Southern China.

Yeung, 56, is certainly considered tough enough for the job. A former secretary for both transport and the treasury, he is familiar with the terrain. He has also had exposure to the private sector, as a director with Sino Land, one of the territory's biggest property companies. *Louise Lucas, Hong Kong*

### Genentech departure

A founder of Genentech, one of the success stories of the US biotechnology industry, is leaving the company to pursue other interests. Robert Swanson, aged 49, started the company with Herbert Boyer in 1976.

Genentech, which unlike most biotechnology companies is making money, is now majority-owned by Roche, the Swiss pharmaceutical company, which has options to buy the rest of the company. Swanson, who worked for a venture capital firm before founding Genentech, plans to concentrate on his investments in other companies. He will continue working for Genentech as an adviser and consultant.

Swanson is being replaced by Dick Munro, a former chief executive of Time Warner, who has served on Genentech's board of directors for the last eight years.

"I'm very excited about assuming the chairmanship of a company like Genentech – it is the pioneer and pace setter of the biotechnology industry," said Munro, who joined the Genentech board in February 1988. Munro began his career with Time in 1957, having won three purple heart medals for bravery in the Korean war. *Tracy Corrigan, New York*

### Seita joins Sega

Yukifusa Seita, currently managing director of Pioneer (UK), has joined Sega, the Japanese electronic games company, as head of its European entertainments division. Although Sega is best known for its home entertainment business, the company also operates 25 amusement centres in Europe including the flagship SegaWorld, in Piccadilly Circus, central London.

As managing director of Sega Amusement Europe, Seita's brief includes finding sites for additional theme parks and developing new markets for the company's large, sophisticated games machines.

A top priority will be to improve the performance of SegaWorld – claimed to be Europe's largest indoor entertainment theme park – which has had to overhaul its pricing policy in the wake of disappointing attendance figures since it opened in September.

Seita, 55, joins Sega after a long career with Pioneer, including a stint as chief operating officer of the consumer electronics company's US operations. While it is unusual for large Japanese corporations to swap top executives, Tokyo-based Sega is known for its open and entrepreneurial corporate culture. *Simon London, London*

### Air India loses Mody

The reigning maharajah of Air India and its domestic counterpart Indian Airlines, Russi Mody, has handed in his papers as chairman of the loss-making carriers.

The resignation comes just two years after the 78-year-old Mody, one of India's most prominent and colourful businessmen, was invited by Narasimha Rao, the former Prime Minister, to pilot the state-run airlines.

Once dubbed the "iron man of India" for his long stewardship of the Tata group's flagship, Tata Iron and Steel, Mody says he resigned out of frustration at internal resistance to efforts to bring the airlines into profitability and proposals to merge the carriers.

"When I was appointed, I was under the impression that I had been sent in to fix everything that had gone awry with the airlines. However, I was given no executive powers to do this and after two years of trying to change things and failing, I had no option but to resign," he says.

The new chairman – who is expected to be appointed early next year – will certainly have a full agenda. Top of the list will be finding the funds for the planned but long-delayed purchase of 23 medium-capacity, long-range aircraft to modernise Air India's ageing fleet.

The new chairman may also oversee a partial privatisation of the airline. Local observers suggest the Indian government's Disinvestment Commission has asked Air India to evaluate its assets in preparation for a possible sell-off of 40 per cent of the equity of the airline. *Tony Tassell, Bombay*

### ON THE MOVE

■ Oyvind Hushovd, 46, is taking over as president and chief executive officer of Falconbridge, the big Canadian nickel and copper producer 46 per cent held by Noranda, Canada's biggest resource group. He succeeds Frank Pickard, who died suddenly on September 25 while on a mine visit in Chile. Hushovd has been with Falconbridge for 22 years, including two stints at its Norwegian nickel refinery. He became executive vice-president early in 1995.

■ BOEING CORPORATION has appointed Phil Condit, president and chief executive, as chairman with effect from February 1. The current chairman, Frank Shrontz, will retire having reached the age of 65. Shrontz becomes chairman emeritus and continues to sit on the board.

■ Alan Ashton, founder of WordPerfect Corp, has resigned from the NOVELL board of directors to pursue community and other interests in Utah.

■ Myles Ruck has been appointed deputy managing director of STANDARD CORPORATE & MERCHANT BANK, a unit of South Africa's Standard Bank Investment Corp. Ben Kruger becomes director of its treasury division.

■ John Phillips, chief executive and president of METROMEDIA INTERNATIONAL GROUP, has resigned to pursue other business opportunities.

■ James Platt, 40, has been promoted to senior vice-president of corporate affairs for global media group NEWS CORP.

■ Hans Backman has been named executive vice-president of ELECTROLUX, responsible for industrial integration. For the last five years he has been president of Frigidaire and product line manager for Poulan/Weed Eater and American Yard Products.

■ Simon Hayes, head of Asian Equities at SALOMON BROTHERS, and Kee Young Im, chief representative of the firm's Korea office, have been promoted to managing directors, from January 1.

■ The board of ABBOTT LABORATORIES has elected six new corporate officers: Patrick Balthrop, 40, vice-president, diagnostic operations, US and Canada; William Dempsey, 45, vice-president, hospital products business sector; Guillermo Herrera, 43, vice-president, Latin American operations; Arthur Higgins, 40, vice-president, Pacific, Asia and Africa operations; and Thomas Watkins, 44, vice-president, diagnostic operations, Asia and Pacific. Edward Michael, 39, becomes vice-president, diagnostic operations, Europe, Africa and Middle East, from January 1.

■ Andrew Simmonds succeeds Peter Funichel as president of BZW SECURITIES (JAPAN).

■ Graham Paxton, managing director of out-sourcing and services company SIEMENS BUSINESS SERVICES, joins the international executive management board, with responsibility for non-German speaking Europe. He remains managing director of the UK subsidiary.

■ Chris Lees has joined NIKKO SECURITIES in Australia as an associate director, capital markets, having spent the last five years with Nikko's capital markets team in London.

■ Kees Rutten, 38, has been appointed to the Netherlands executive board of FORTIS, the Belgian-Dutch insurance group, from January 1, and is expected to join the group executive board. He is currently a board member of Fortis Nederland responsible for retail banking and insurance activities.

■ Jürg Fretz is to hand over management of Switzerland's GLOBUS DEPARTMENT STORES to Georg Boesch, 56, from March 1. He retires from the group on August 31 at the age of 62.

■ Pierre Mariani, 40, has been appointed managing director of BANEXI, the merchant banking subsidiary of Banque Nationale de Paris.

■ Mark Weseluck rise to vice-president, banking operations at the CANADIAN BANKERS ASSOCIATION.

■ Ken Goldman, currently senior vice-president and chief financial officer of California-based @Home Network, joins the board of UNISON SOFTWARE.

■ Malcolm Sherman, chairman of EKCO GROUP, the US housewares group, becomes chief executive. Robert Stein, Ekco Group's chief executive since 1986, has resigned to pursue other interests.

■ George Heilmeier has been appointed chairman and chief executive of BELLCORE (Bell Communications Research), with effect from January 1. Sanjiv Ahuja becomes president and chief operating officer.

■ Amin Shah Omar Shah succeeds Mohamed Ngah Said as chairman of PERUSAHAAN SADUR TIMAH MALAYSIA (Perstima).

■ Edward Staiano has been named vice-chairman and chief executive of IRIDIUM LLC, a private international consortium led by Motorola which expects its global wireless communications network to become operational in late 1998. Staiano is retiring as executive vice-president of MOTOROLA and president and general manager of its general systems sector. In a separate move, Paul Hucq becomes vice-president and general manager, Asia Pacific, of Motorola information systems group.

■ Giselbert Behr joins the the board of BERLINER BANK from April 1. He was previously a director of the Düsseldorf branch of Dresdner Bank. Andreas Graf von Hardenberg and Christoph Freiherr von Hammerstein-Loxten will depart from the board on December 31. Peter-Joerg Klein succeeds Hammerstein on the board and is additionally a board member at Landesbank Berlin.

■ David Rattee and David Baird have been appointed directors of BEATRICE FOODS, the Canadian food manufacturing company.

■ Stephen Orr, 42, becomes vice-president US operations at HOMESTAKE MINING, the gold producer, from December 1.

■ David Rutledge moves to president of INGRAM MICRO Latin America. He was previously senior vice-president of Asia Pacific, Latin America and Export Markets. Larry Eichesen, former president of Ingram Micro Canada, takes charge of the Asia-Pacific region.

■ Robert Yohe, former vice-chairman of Olin Corporation, joins the board of LAROCHE INDUSTRIES, the US chemicals company.

■ Michel Haski becomes chairman of BIP GESTION, the institutional and fund management subsidiary of Banque Internationale de Placement (part of Dresdner Bank group).

**International appointments**

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

# FORTIS AT WORK ON A PRODUCTIVE FUTURE

In six years, Fortis has become one of the world's largest financial service groups. Just take the following figures. Over 100 companies operate independently within the Fortis group. They include such familiar names as AMEV, VSB, ASLK-CGER and AG 1824.

Together they employ over 30,000 people and manage assets in excess of ECU 71 billion. Their sphere of operations covers most of western Europe, as well as the United States and Australia. And their product range encompasses the whole field of banking, insurance and investments. That, in a nutshell, is the status quo.

But it's certainly not the end of the story. Fortis has adopted a strategy of growth. The achievement of this strategy is based on a market vision that can be described as multi–domestic, multi–product and multi–channel. It is multi–domestic in the sense that at Fortis we see every country where we operate as a home market, enabling us to respond effectively to the needs of that market. By multi–product we mean that in principle the number of products and services we can deliver is unlimited. Whatever the market demands Fortis can introduce and will do so, provided it helps to achieve our profit objectives. Finally, multi–channel is our way of emphasizing that we plan to reach the client through a variety of distribution channels.

To sum up, this market approach is successful because it meets the wishes of individual clients as closely as possible. And in the coming years it will become even more successful by exploiting the benefits of synergy and the exchange of knowledge and experience within Fortis.

In other words, it is the sure basis for a productive future. For more information, please call: +31 (0) 30 257 6549 (NL), +32 (0) 2 220 9349 (B).
Internet: http://www.fortis.com

- OPERATING ACROSS WESTERN EUROPE, THE USA AND AUSTRALIA.
- TOTAL ASSETS AT THE END OF 1995: ECU 136 BILLION.
- A WELL-FOCUSED GROWTH STRATEGY, BOTH WITHIN THE GROUP COMPANIES AND THROUGH ACQUISITIONS.
- FINANCIAL OBJECTIVES: RETURN ON SHAREHOLDERS' EQUITY OF AT LEAST 12%; ANNUAL GROWTH OF EARNINGS PER SHARE: 7-12%.
- A GOOD TRACK RECORD IN MEETING FINANCIAL AND STRATEGIC OBJECTIVES.

THE COMBINED STRENGTHS OF FORTIS

Fortis

INSURANCE • BANKING • INVESTMENTS

هكذا من الأصل

# Symbolism in wood and clay

## William Packer on the work of sculptors Nicholas Pope and David Nash

Nicholas Pope and David Nash, two sculptors who made their names in the 1970s, have shows in London at the moment of their latest work. Now 50 or thereabouts, they arrived on the same wave of young artists by which British sculpture, even then, was said to have renewed itself – a process which seems to happen once or twice a decade with the regularity of the tides. The idea that the bright young things of the moment – Hirst, Whiteread – have somehow revived British sculpture to international notice after long years in the doldrums marks only the short attention-span of the fashionable avant-garde.

Anyway, along with such near-contemporaries as Richard Long and Barry Flanagan, they reacted against the abstract, heavy-metal sculpture of the Caro school of the 1960s, turning instead to natural materials and a more improvisatory response to them as they occurred in nature. Both enjoyed conspicuous early success, Nash with shows at the Serpentine, works in public collections and tours abroad, Pope, at 31, with the British Pavilion at the 1980 Venice Biennale.

Since then, their careers could hardly have been more different. Nash has stuck to his last, or rather to his saw, axe and bonfire, slicing and scorching his way into the living wood as the form or circumstance suggests. He has continued to work consistently, developing within the given scope of his ideas, sustaining his particular aesthetic.

Pope, on the other hand, was always more various in his material and approach, and more minimal in his formal interests – now piling logs in precarious stacks, now building fences, now hacking chalk into primal lumps. And then illness brought his career to a shuddering stop. Rare viruses contracted on a working trip to Tanzania in 1982 affected both his brain and his physical ability to work. But by slow degrees he has mended, and what we see now at the Tate, in the Art Now studio gallery, is remarkable and moving testimony to his recovery.

It was his interest in the sculpture of the Makonde that took him to Africa, and the formal debt is openly acknowledged in the crowd or forest of hand-built terracotta totems presented here, each of them more or less of human size. But abstract as they are, these are all symbolic figures, with the 12 principals each with its more complex character of modelling to represent one of the apostles, and each surrounded by its group of the simpler, wondering multitude. For these are the Apostles of the Pentecost, speaking in tongues, and each has his paraffin lamp for head, to carry those tongues of flame that were the inspiration of the Holy Ghost.

The lamps should be lit all the time, but at the moment they are lit only for 15 minutes at a time, at 11, 1 and 3.30 each day, with hope of more frequent intervals later on. Although impressive anyway, it is well worth catching one of these moments, for only then does the work at large take on its full narrative and symbolic point, with only the flickering flames to light up the darkened room, and the figures themselves seeming to move in the dancing shadows.

It is a highly theatrical piece, quite consciously so, the most obvious recent parallel, as it happens, the Trojan War cycle of Anthony Caro, with its similarly abstracted yet highly charged totemic figures. This open acceptance of any such reading is a new departure for Pope, and obviously founded on his late troubles. Pentecost, the visitation of the Holy Spirit, bespeaks a renewal of faith, self-discovery and a commitment to the future and the unknown.

The totemic and the symbolic are no less evident in the work of David Nash, though without so specific an association or narrative. His is a more elliptical approach, masked by immediate formal or structural concerns. But process and nature are always there, to take over the imagination the moment, as it were, that Nash half turns away.

A dish, beautifully improvised out of natural form, is balanced delicately on a deceptively crude, stool-like block, only to turn into a moose-head trophy that dominates the gallery. Logs hollowed out become vestigial boats. Improbably curved planks are pinned together, stood on end and inter-weaved to restate the trunk and growth of the tree. Fire sears and chars the rotten core of the split block. The saw opens out the living timber. Form reveals itself. The underlying preoccupation is with life, the natural cycle of renewal and decay.

**Nicholas Pope – The Apostles Speaking in Tongues: Tate Gallery, Millbank SW1, until February 23; the 1996-97 Art Now programme is supported by the Henry Moore Foundation, the Patrons of New Art and an anonymous donor. David Nash – recent sculpture: Annely Juda Fine Art, 23 Dering Street W1, until January 19.**

Detail from 'The Apostles Speaking in Tongues' by Nicholas Pope

Alastair Muir

Stripped down to essentials: Le Cercle Invisible

### Theatre/Sarah Hemming

## Some enchanted evening

One small child cried out, "It's granny, mummy," as Jean Baptiste Thierrée took to the stage in *Le Cercle Invisible* at the Mermaid Theatre. It is doubtful whether the lady in question would have been flattered by the comparison to this ageing clown with the fanatical eyes, perpetual grin and mophead hair. But the child had a point. Pop a bonnet on him and Thierrée would pass for the archetypal fairy-tale granny. And that is part of his charm and part of the charm of the circus in which he appears.

Thierrée and Victoria Chaplin have stripped the idea of circus right down to its essentials. There are no big tricks or flashy showpieces; the magic they are interested in is the power of the imagination to see things differently.

So Victoria Chaplin performs a series of scenes in which her costume takes on a life of its own. A dress becomes a dragon; a stack of chairs becomes a horse. It is very cleverly done, and whisks you back to childhood when a couple of old curtains could transform you into a fairy princess.

Chaplin herself looks like a waif straight out of a fairy-tale, with her long dark hair and large, eloquent eyes, and the show has the feel of a fairy-tale – fascinating, but eerie. We are in the childhood world where a sofa can become a chariot but where bears also lurk beneath the bed.

While Chaplin wrestles with her costumes, Thierrée complements her with a series of absurdly comic scenes in which he bungles the magic tricks he tries to do. Twinkling and beaming, he strides onto stage with a suitcase of artifacts that never quite work as he intends. Meanwhile there are also scenes of purely surreal humour: at one point Thierrée sings opera through masks on his kneecaps; at another he is marched across the stage by a giant coffee pot on legs.

Even when the couple do perform circus tricks, they undercut them with humour. As Chaplin goes through a hair-raising trapeze routine, Thierrée rushes on to assist her in a set of increasingly ridiculous wigs. As she dangles precariously from a high-wire by one foot, she wiggles the toes of the other as if waiting impatiently for a bus. And, having conjured up two rabbits and a squadron of ducks, the couple simply leave the stage to them – the rabbits reading books, the ducks quacking along to music. An idiosyncratic and enchanting show.

**Continues at the Mermaid Theatre, London EC4 to January 12 (0171 236 2211).**

### Recitals in London

## Straight Beethoven

On Friday night at London's Royal Festival Hall, Maurizio Pollini gave the second recital in his current series of all Beethoven's piano sonatas, except the pair of "little" sonatas Opus 49. It was a long programme – probably the longest of the entire cycle – and the first half, with three sonatas, Opus 10, amounted to 70 minutes of solid music, an evening's worth in itself.

Solid is the word. Pollini's capacity for concentration almost certainly exceeds that of his audience, and he seemed more committed and settled than in his opening recital nearly three weeks ago.

It almost goes without saying that he gave classic performances, as powerful as Beethoven can have imagined, without any reduction of dynamic range to suit the music's early date.

Yet Pollini did not press expressive points unduly either. Everything happened within a strictly disciplined continuity, whereas some great Beethoven specialists in the past might have let out the seams. In that sense, and in his adherence to the text, Pollini is a "modern" player, as the late Rudolf Serkin was, though he lacks Serkin's excitability and capacity for elation.

After the interval, for some reason Pollini lost some of his rhythmic poise and control over tempi. The fingers were as strong as ever, but in the first of the two Opus 14 sonatas, he tended to rush, letting the lovely central E minor Allegretto slip forward as if he could hardly wait to get on to the finale, where he would sometimes cut short the last beat in a bar. Nor was the first movement of the genial G major sonata, Opus 49 no 2, entirely free from a tendency to gabble – possibly, Pollini over-estimated the clarity of the hall.

Or perhaps he had decided not to stay overnight, for he still had to play the *Pathétique*, put last, no doubt, because of its stormy passion. Stormy it certainly was, yet not exaggerated. If you like your Beethoven straight, Pollini's your man. But the more his head and hands have to do, the better he tends to be. So as he works his way through the canon chronologically, the prospects are promising: the last two recitals, in May and June, are likely to be the most rewarding of all.

**Adrian Jack**

## Greek reliefs

If the plaintive voice of Nana Mouskouri is Greece's most familiar musical export, the dramatic contralto of Maria Farandouri is surely its most expressive; the composer Mikis Theodorakis first identified her dark voice as the ideal instrument for his work when she was just 16.

As if the voice's intrinsic qualities were not enough, there is the added resonance of Farandouri's political engagement, which forced her into exile in 1967 when Greece fell into the hands of a military dictatorship. Her performances of Theodorakis's songs in the world's leading concert halls became a powerful symbol of resistance during the junta's seven-year reign.

The combination of musical intelligence and political fervour continues to weave its spell, even during these much-changed times. At the Queen Elizabeth Hall on Saturday, she brought the evening to a rousing climax with Theodorakis's setting of George Seferis's poem *Mythestorema*, and its inspiring refrain: "A little higher, a little higher still", imbuing the song with anthemic qualities.

This was an evening designed to illustrate the special way in which Greece's composers – chiefly Theodorakis and Manos Hadzidakis – have interpreted some of its greatest poets, Seferis, Nikos Gatsos, Odysseus Elytis, to bring their not-always-accessible work to the lips and hearts of a mass audience.

With John Tavener introducing the concert, and Ruth Padel and Peter France providing translations and explanations, there was plenty of help for the neutral observer, though the eagerness to sing along betrayed most of the audience's Greek origins.

Farandouri never allowed technical facility to compensate for emotional directness, asking demanding questions of her powerful instrument and answering most of them. Her bearing on stage is humble, modest, and she is meticulous in her conveyance of mood. After dedicating the Yiannis Ritsos/Theodorakis song "On These Very Marbles" to Melina Mercouri, you could feel her trumpeting first lines causing the very foundations of the British Museum to tremble.

More pacific in tone was the London premiere of a pre-Byzantine hymn, transcribed from papyrus found at Oxyrinchus, haunting in its intensity, and Hadzidakis's playful setting of Aristophanes, a rare moment of light relief.

**Peter Aspden**

### Concert/Richard Fairman

## Gatecrashers come good

Sunday's concert at the Barbican was advertised as the London Symphony Chorus's 30th anniversary gala, but the choir will have been dismayed to find how difficult it can be to get star guests to come to the party. Even the week before, some of the soloists were still being sought and the only one who had been booked well in advance cancelled on the night.

Try to put on a big Verdi work like the Requiem and that is what happens, as any opera-house will tell them. There simply are not enough top-name Verdi voices to go round any more. A long, hard search will be needed to bring together a good quartet and the chances are that it will have singers with smaller voices and from a wider range of nationalities than it would have done in the 1960s.

For its Verdi Requiem on Sunday, the London Symphony Orchestra searched from Hungary to Iceland, from the US to Albania. The quartet it found was heterogeneous, but youthful, interesting, and even blended fairly well. There is something to be said for picking promising singers on the way up and all four of these clearly are. The soprano, Georgina Lukacs from Hungary, is due to sing Lady Macbeth at Covent Garden next summer and has a steady, liquid voice, with a slight edge, not huge, which she can easily move up and over the top notes. A few flashes of operatic spirit in her "Libera me" seemed almost out of place – it was not that kind of performance.

The surprise arrival was the Albanian mezzo, Enkeledja Shkosa, who took over at the last moment and made her mark with a firm, bright mezzo, poised halfway between Rossinian brilliance and weightier Verdi punch. Stuart Neill is an American tenor of obvious accomplishments, a lighter version of Michael Sylvester, who gives good value and phrases broadly; his "Hostias" was sung in an affecting, if not very Italianate, head voice. The compact, dark bass of Iceland's Gudjon Oskarsson is already known here and is on the way to being a very effective Verdian instrument.

Hopefully, the London Symphony Chorus will not have minded being upstaged by these gatecrashers. That is in the nature of the Barbican's acoustics, which keep the choral sound well back, though their contribution seemed well rehearsed.

Despite his long history in opera, Colin Davis conducted a performance which was more sombre oratorio than excitable melodrama, underlining key moments in the musical structure with deep concentration (the lead-in to the "Lacrimosa" became a major event in itself). The LSO played well for him. It was a creditable evening all round, though "gala" is fast becoming a debased term.

# INTERNATIONAL ARTS GUIDE

## AMSTERDAM

CONCERT
**Concertgebouw** Tel: 31-20-6718345
● Koninklijk Concertgebouworkest: with conductor Riccardo Chailly and violinist Jaap van Zweden perform works by Prokofiev, Bartók, Stravinsky and Rossini; 8.15pm; Dec 18, 19

## ■ BERLIN

CONCERT
**Konzerthaus** Tel: 49-30-203090
● Berliner Sinfonie-Orchester: with conductor Michael Schoenwandt and violinist Guy Braunstein perform works by Ruders, Tchaikovsky and Beethoven; 8pm; Dec 19, 20, 21

EXHIBITION
**Berlinische Galerie - Martin-Gropius-Bau** Tel: 49-30-254860
● Marianne und Germania, 1789 bis 1889. Zwei Welten - Eine Revue: exhibition as part of the Berliner Festwochen, focusing on the relationship between Germany and France in the 19th century. The exhibits come from German and French collections;

OPERA
**Deutsche Oper Berlin** Tel: 49-30-3438401
● Madama Butterfly: by Puccini. Conducted by Johan Arnell, performed by the Deutsche Oper Berlin. Soloists include Maria Spacagna, Catherine Gayer and Walton Grönroos; 7.30pm; Dec 19
**Staatsoper Unter den Linden** Tel: 49-30-20354438
● Lohengrin: by Wagner. Conducted by Daniel Barenboim, performed by the Staatsoper Unter den Linden. Soloists include Magee, Polaski, Botha, Pape and others; 6pm; Dec 18, 21 (5pm)

## ■ BONN

OPERA
**Oper der Stadt Bonn** Tel: 49-228-7281
● Die Zauberflöte: by Mozart. Conducted by Renato Palumbo, with the Oper der Stadt Bonn. Soloists include Ramos, Beer and Sturludottir; 7.30pm; Dec 18

## ■ COLOGNE

CONCERT
**Kölner Philharmonie** Tel: 49-221-2040820
● Swedish Chamber Orchestra: with conductor Eric Ericson, soprano Barbara Hendricks, the Eric Ericson Chamber Choir and the Kölner Kinderchor perform Christmas music; 8pm; Dec 18

## ■ COPENHAGEN

DANCE
**Det Kongelige Teater** Tel: 45-33 69 69 69
● Royal Danish Ballet: perform Etudes, a choreography by Harald Lander after Czerny to music by Riisager, and Le Conservatoire or A Newspaper Courtship, a choreography by August Bournonville to music by Paulli; 8pm; Dec 18

## ■ GHENT

OPERA
**De Vlaamse Opera** Tel: 32-9-2230681
● Les Liaisons Dangereuses: by Swerts. Conducted by Patrick Davin, performed by De Vlaamse Opera. Soloists include François Le Roux, Marilyn Schmiege, Lyne Fortin and Jocelyne Taillon; 8pm; Dec 19, 21

## ■ HAMBURG

OPERA
**Hamburgische Staatsoper** Tel: 49-40-351721
● Die Zauberflöte: by Mozart. Conducted by Lothar Zagrosek, performed by the Hamburg Staatsoper. Soloists include Kwon, Isokoski, Yang and Gaillard; 7pm; Dec 18

## ■ LONDON

CONCERT
**Barbican Hall** Tel: 44-171-6384141
● Les Fêtes d'Hébé: by Rameau. Conducted by William Christie, performed by Les Arts Florissants. Soloists include sopranos Sophie Daneman, Maryseult Wieczorek and Sarah Connolly, tenors Paul Agnew and Jean Paul Fouchecourt, and basses Olivier Lallouette, Matthieu Lecroart and Luc Coadou; 7.30pm; Dec 18
**Royal Albert Hall** Tel: 44-171-5898212
● Philharmonia Orchestra: with conductor Stephen Cleobury, the King's College Choir and the Philharmonia Chorus perform works by J.S. Bach, Britten, Arnold and others; 7.30pm; Dec 18
**St. John's, Smith Square** Tel: 44-171-2221061
● Polyphony: with conductor Stephen Layton perform works by Howells, Warlock, Walton, Bennett and others; 7.30pm; Dec 18
**Wigmore Hall** Tel: 44-171-9352141
● Gabriela Montero: the pianist performs works by Liszt, Schumann, Albéniz and Rachmaninov; 7.30pm; Dec 18

THEATRE
**The Pit** Tel: 44-171-6388891
● The White Devil: by Webster. Directed by Gale Edwards, performed by the Royal Shakespeare Company. The cast includes Jane Gurnett, Caroline Blakiston and Richard McCabe; 7.15pm; Dec 18, 19, 20, 21

## ■ LOS ANGELES

CONCERT
**Dorothy Chandler Pavilion** Tel: 1-213-972-8001
● Los Angeles Philharmonic: with conductor Joseph Swensen and cellist Ronald Leonard perform works by Stravinsky, Haydn and Sibelius; 7pm; Dec 18, 20 (8pm)

## ■ NEW YORK

CONCERT
**Alice Tully Hall** Tel: 1-212-875-5050
● Tokyo String Quartet: with pianist Peter Frankl perform works by Schubert, Laderman and Brahms; 8pm; Dec 18

OPERA
**Metropolitan Opera House** Tel: 1-212-362-6000
● L'Elisir d'Amore: by Donizetti. Conducted by Carlo Rizzi, performed by the Metropolitan Opera. Soloists include Rost, Leech, G. Quilico and Nucci; 8pm; Dec 19

## ■ PARIS

DANCE
**Théâtre National de l'Opéra - Opéra Garnier** Tel: 33-1 42 66 50 22
● The Nutcracker: a choreography by Rudolf Nureyev to music by Tchaikovsky, performed by the Ballet de l'Opéra National de Paris; 7.30pm; Dec 18, 20, 21

EXHIBITION
**Musée d'Orsay** Tel: 33-1 40 49 48 14
● Gauguin et le Christ jaune: this exhibition centered around Gauguin's self-portrait "Autoportrait au Christ jaune" brings together the painting "Le Christ jaune" from the collection of the Albright-Knox Art Gallery and the 17th-century wooden crucifix from the Trémalo Chapel which formed its source of inspiration; to Jan 5

MUSICAL
**Théâtre du Châtelet** Tel: 33-1 42 33 00 00
● Black and Blue: by Segovia/Orezzoli. Directed by Claudio Segovia and Hector Orezzoli, performed by the Théâtre du Châtelet; Mon - Sat 8.30pm, Sun 2.30pm & 6.30pm, Sat also 4pm; from Dec 17 to Dec 23

## ■ VIENNA

OPERA
**Wiener Kammeroper** Tel: 43-1-5120100
● Dona Francisquita: by Vives. Conducted by Lluis Vila I Casanas, performed by the Wiener Kammeroper (in German). Soloists include Monica Theiss, Lorena Espina, Sulie Girardi, Lubica Gracova, Cesar Gutierrez and Hector Sandoval; 7.30pm; Dec 18, 21
**Wiener Staatsoper** Tel: 43-1-514442960
● Madama Butterfly: by Puccini. Conducted by Friedrich Pleyer, performed by the Wiener Staatsoper. Soloists include Coelho, Serdar, Halmai, Monarcha and Gati; 7.30pm; Dec 18

**Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. Copyright 1996. All rights reserved. Tel: 31 20 664 6441. E-mail: artbase@pi.net**

### WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

### EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
*FT Business Morning*

10.00
*European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
*Financial Times Business Tonight*

CNBC:

08.30
*Squawk Box*

10.00
*European Money Wheel*

18.00
*Financial Times Business Tonight*

## Martin Wolf

# A question of competition

**While some commentators reject the concept of international competitiveness, it can illuminate the causes of the EU's economic ills**

Is Europe competitive? The question is one that many of the continent's finest minds are thinking about as unemployment in the European Union seems stuck at post-war highs.

But is it a meaningful question? Professor Paul Krugman of the Massachusetts Institute of Technology, for one, has mounted the most savage assault on the tendency to ascribe economic failings to lack of competitiveness. It is a failure to understand how nations differ from companies, he says.

Yet there is much that can be learnt from asking the question – provided competitiveness is defined in a sensible way. The answer can shed light on the causes of Europe's current predicament.

Prof Krugman returns to the subject in Making Sense of the Competitiveness Debate, which appears in the recent collection of essays on International Competitiveness in the Oxford Review of Economic Policy (OUP). He condemns those who believe the aim of trade policy is to maximise exports and minimise imports as mercantilists.

Yet that is exactly the position of the European Commission in its white paper on competitiveness, growth and employment, published in December 1993, when it argued, absurdly, that "the most important reason for the long upward trend in the European rates of unemployment is the rise of nations that are competing with us".

The theory of comparative advantage shows trade is mutually beneficial. But viewed through the mercantilist spectacles donned by the Commission it becomes a form of warfare.

Prof Krugman is right to be angry that nearly two centuries after it was first developed many policymakers and commentators fail to understand comparative advantage. Yet outright rejection of the notion of international competitiveness is too simple, as Mr Andrea Boltho of Magdalen College, Oxford, notes in his opening article in the Oxford Review of Economic Policy.

Hidden behind it is at least one perfectly respectable notion. This is the real exchange rate, which can be thought of for this purpose as a link between the cost of labour and the performance of internationally exposed sectors of the economy.

In the case of the EU, a focus on the real exchange rate is particularly illuminating. It allows a connection to be drawn between three apparently separate worries: employment, whole-economy productivity and trade.

The natural starting point for a discussion of competitiveness is the last of these. The picture is mixed. Unlike the US, which ran a current account deficit of about 2 per cent of gross domestic product in 1995, the EU had a current account surplus of 0.5 per cent of GDP. It also remains the world's largest exporter: merchandise exports from the EU to the rest of the world were 20 per cent of the global total in 1995, compared with 15.5 per cent for the US.

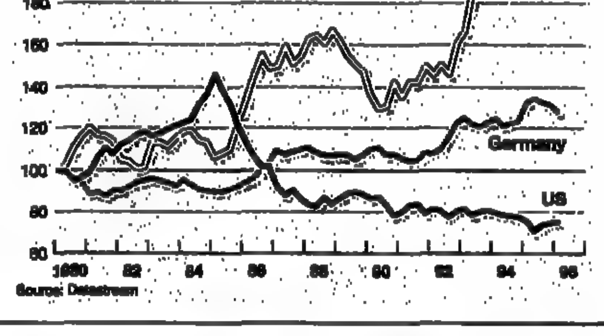
Yet a current account surplus can be – and, in this case, to an extent is – symptomatic of inadequate domestic demand. Furthermore, the EU's high share in world exports masks a declining trend – as the Commission noted in its recent paper on the competitiveness of European industry (November 1996). The share of the 12-member EU in the manufactured exports of members of the Organisation for Economic Co-operation and Development slipped by 2.5 percentage points between 1987 and 1993, while north America's rose 3.7 percentage points.

One other feature of the performance of the EU's more internationally exposed industries is worth noting. EU manufactured output rose by only 23.4 per cent between 1980 and 1995, against an increase of more than 57 per cent in the US.

Such a mediocre performance in the internationally exposed parts of the European economy may, among other things, be a symptom of overvaluation of the real exchange rate. As the chart shows there was indeed a large and sustained depreciation in the real exchange rate of the US – as measured by relative unit labour costs – vis à vis Germany and, still more, Japan, after 1985.

**A simple indicator of competitiveness**

Real effective exchange rate based on relative unit labour cost



Source: Datastream

The hypothesis of overvaluation of the real exchange rates of core European economies can be supported by two other indicators.

One is the ratio of the exchange rate against the US dollar to the OECD estimate of the "purchasing power parity exchange rate" – the rate that would equalise average price levels between the countries. If this ratio is higher than one, prices are higher than in the US: in 1995 the ratio was 1.3 in France, 1.5 in Germany and 1.9 in Japan; it was about one in Italy and the UK. The figures for Germany and Japan are surprising for countries with similar levels of real income per head to the US. But these divergences seem to support the French and German view that their companies were competitive against one another, but not against producers in the US, Italy and the UK.

The second indicator is that, according to Morgan Stanley, hourly labour costs in industry were higher in Sweden, Finland, Denmark, Austria, Belgium and west Germany in 1994 (in that order) than in the US. Yet US industrial output per person remains the highest in the world.

The significance of any overvaluation for the performance of the European economy must be kept in strict proportion. The EU is a very large economy that is only modestly dependent on external trade: in 1994, EU exports to the rest of the world were 8.8 per cent of GDP, little more than the 7.7 per cent of the US. Over the long term, growth is determined by productivity in the economy as a whole and its ability to absorb labour into employment. This is true for any economy, but economies as large as these are particularly free from international influence.

Yet suppose that labour costs are not allowed to fall – because of regulations or, more plausibly, because people are little better off after tax than on unemployment benefits. What would one then expect? The answer is low growth in employment, substitution of capital for relatively expensive labour in the economy and a squeeze on the profitability and performance of sectors producing tradeable goods and services.

This is what can be seen in the EU. So it does appear to have a "competitiveness" problem. Two points are then worth making.

First, the core European countries do not need the "strong" currency so desired by the Bundesbank. They need, instead, a "competitive" one, subject to the proviso that its *internal* purchasing power is satisfactorily protected. In a low inflation era, strong currencies can become a nightmare.

Second, the real cost of labour to the employer, which is not necessarily the same thing as the real wage enjoyed by employees, needs to fall if the unemployed are to be absorbed into jobs. This is important not only for the labour market, but for overall economic performance. Reform of regulations and the structure and level of taxes and benefits need to pay proper attention to these wider concerns.

If the idea of competitiveness leads to an examination of what determines the real exchange rate, it is a useful one. The performance of internationally exposed industries can be a symptom of a disease that policymakers need to investigate and cure. Competitiveness is dead; long live competitiveness.

## Philip Stephens

# Europe is not just Major's problem

Europe: John Major's quagmire. The juxtaposition is now automatic. When the Tory sceptics are not railing against a single currency, it is Spanish trawlers, the beef ban, or federalist plots in the European Union's intergovernmental conference.

From every point on the continental compass springs a new threat to Britain's nationhood. If Kenneth Clarke dares suggest otherwise he is howled down in the manner once reserved by the hard left for Labour chancellors. The prime minister is paralysed.

For the moment, this is Mr Major's nightmare. One can hardly blame Tony Blair for enjoying, and exploiting, the Tory divisions. As much as Mr Blair has done to transform Labour into an electable party, it is the flight from reason among Conservatives which promises to take him over the threshold of 10 Downing Street. Europe then will be seen as Labour's headache. In truth, it is Britain's.

Mr Major found himself a bystander at the European Union's Dublin summit. His continental counterparts were too polite to say goodbye, but few expect to see him again in Amsterdam next June. He was the distant cousin at the wedding: acutely conscious, it seemed, that his side of the family had been invited only for form's sake.

The others were tuning the motor of economic and monetary union. Mr Major wanted to warn that the engine would soon blow up. There was no great row over the proposed new treaty to overhaul the EU's institutions. Nor was there any meeting of minds. Mr Major used to proclaim on these occasions that Britain was winning the argument against the grand ambitions of its partners. He no longer bothers. It is hard to argue that Europe is at a standstill when your counterparts are passing around freshly printed euro banknotes.

It had seemed so different in Rome six years ago. Then, at his first summit as prime minister, Mr Major was feted as the leader who would rescue Britain from the Europhobia of the last Thatcher years. He spoke the language of co-operation. By yesterday, his report to the House of Commons on his talks in Dublin was replete with her favourite negatives.

In another respect too, Dublin seemed a fitting end to a 17-year journey. It was in the Irish capital that it all started back in 1979, with the row over the British contribution to the Brussels budget. Margaret Thatcher's demand that the others give back her money marked out Europe as a threat rather than an opportunity. Henceforth, Britain's continental diplomacy was to be conducted through the metaphors of war. She signed up, of course, to the Single European Act, and Mr Major to Maastricht. But these, the nation was assured, were merely tactical retreats.

His close colleagues give conflicting accounts of the prime minister's mood. Some report they have never seen him so ill-tempered, the consequence of fatigue and frustration. But there is also a hint of fatalism. Europe has become his party's death wish. The history books are unlikely to lay the blame on Mr Major.

Mr Blair, however, cannot escape this legacy. Before the general election, he is determined not be outflanked by a sceptical Mr Major. He intends to rebut at every turn the charge that Labour would surrender its "vetoes" over immigration, defence and taxation. He too is ready for isolation in the national interest.

In office, the Labour leader believes he can cut a deal which would keep Britain in the European mainstream. His conversations with other leaders, notably with Wim Kok, the Dutch prime minister, have persuaded him that he could sign the treaty now under discussion. He also thinks that domestic public opinion can be recalibrated by a government willing to paint Europe in positive colours. Young people have not lost their idealism.

Mr Blair has a point. Britain has been part of the EU for nearly 25 years. For only two of those years – immediately after accession – has it had a government determined to make a success of membership. So if the national mood is now running with the sceptics, it is remarkable also that the option of withdrawal has won so little support.

It would be a grave mistake, though, to underestimate the task. The debate over Europe has been demeaned and corrupted by the language in which it is conducted. The relentlessly facile imagery of vetoes, surrenders, and sovereignty has created an accretion of popular mistrust. It will take time to build a different consensus. And there are also rational doubts as to how comfortably Britain will slot into a Europe built around economic and monetary union.

The sceptics in Mr Blair's party are quiescent now. But opposition to a single currency will provide a dangerous rallying point. Out of office, the Tory sceptics will tighten their grip on their party. Every deal struck by Mr Blair in Brussels will be condemned as a sell-out of the nation's sovereignty.

Mr Major's mistake has lain in his failure to mobilise the pro-European majority at Westminster. Mr Blair cannot afford to ignore the lesson. Europe will not go away. Britain's problem will be solved only when the nation has a leader imaginative enough to redraw the boundaries of party politics.

# ·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

## Emu: do it right, or not at all

*From Mr Gabriel Mangano.*

Sir, How refreshing it was to read the Lex column "Rushed money" (December 9). You managed to squeeze in a single column more sensible comments about Emu than I've read in the whole of the numerous articles on the topic splashed across Europe's newspapers.

First, you accurately emphasised the potential structural benefits of a single currency, rather than its cyclical ones. Although some EU member countries might not like it (step forward UK), significant gains in competitiveness are likely to be achieved through closer integration of European markets, and using a single currency across all of them is certainly not going to do such convergence any harm.

Second, you had the guts to state the obvious: structurally, Europe is not ready yet for such a project. Forget all the fuss about bogus convergence criteria, phoney stability pacts and "creative" fiscal accounting. Countries like Italy, Spain, or indeed France should admit that what they need instead is a good hard thought about how to improve their score on what economists have long recognised as one of the crucial features of so-called "optimum currency areas": : the geographical and intersectoral mobility of their workforce. This takes time, and should be done properly: artificial deadlines should be scrapped when they do more harm than good.

Unfortunately, you failed to be as explicitly lucid as you could have been: you didn't dare question the consensual view that Emu should be exclusively tailored to Germany's wishes, Amen. The Bundesbank's operating procedures are as antiquated as they come (a monetary target is, as far as I am aware, only followed by one other country in the world – Switzerland, and not uncontroversially so), yet it insists on imposing such awkward methods to a future European central bank which would be much better off with an explicit inflation target and an accountable central banker.

Similarly, the rigidity of German finance minister Theo Waigel's idea of a "stability pact" will certainly not help the euro zone water down any asymmetric shock: once again, optimum currency area theory calls for fiscal redistribution, rather than arbitrarily set limits to budget deficits, as a way to add some flexibility to an already strict system. Emu is too much of an important economic project to be spoilt by political considerations: either do it right, even if this implies resisting most of Germany's unrealistic and harmful demands, or not at all.

**Gabriel Mangano,**
**Centre Walras-Pareto,**
**University of Lausanne,**
**1015 Lausanne,**
**Switzerland**

## Ukraine needs to attract private funds

*From Mr G. Duchene.*

Sir, Mr George de Menil writes ("EU's chance to shine," December 6) that the EU is "short-sighted and slow" in supporting the new economic and legal reform package proposed by the Ukrainian government, and which is currently under discussion by its parliament. This view does not reflect the reality.

First, the EU has always provided the greatest balance of payment support to Ukraine: from 1994 to November 1996, Ukraine received \$236m from the EU (\$130m will most probably be transferred in the coming weeks) compared with \$75m from the US. If all types of assistance are combined for all member states and the Commission, Europe has contributed since 1991 \$4bn (49 per cent from Germany alone and 40 per cent from the EU institutions), compared with \$1.95bn from the US.

Second, there does not seem to be any difference of view between the Commission and member states on the necessity to continue European support to Ukraine: the action plan on Ukraine contains both strong political signs of support to Ukraine, and financial commitments, among them the balance of payments financing needed by Ukraine to implement ongoing reforms.

Third, however, is that Europe's support is not truly appreciated by Ukrainian authorities. If delays have arisen in the transfer of European funds to Ukraine, it is in part because the Ukrainian government seems to consider that these funds are automatically granted in the framework of International Monetary Fund agreements. However, as there is a need to complement IMF funding by bilateral grants, these grants bear their own complementary conditionalities. In order to make sure that these conditionalities are fulfilled, the Ukrainian side should maintain adequate high level contacts with EU authorities.

Last, official balance of payments support should not be the main source of external finance. "Political money" should give way to private money. For that, investors have to be confident that Ukraine will perform well and this needs a more attractive environment than at present. We hope the present reform package proposed by Mr Pynzenik – and to which European technical assistance contributes - will create conditions allowing Ukraine to raise private funds already next year.

**G. Duchene,**
**editor,**
**Ukrainian Economic Trends,**
**counsellor of the Minister of Economy of Ukraine,**
**EuroCentre,**
**Puskinskaiya 12, KV20,**
**Kiev,**
**Ukraine**

## Fluoride tablets

*From Mr Eric Robinson.*

Sir, With reference to Clive Cookson on fluoride in water ("Subject to get your teeth into," December 7/8), my dentist told me 30 years ago that it was effective only up to the age of seven, after which it was liable to cause the mottled teeth that Mr Cookson refers to.

Compared with the enormous quantity of water that goes down the drain from washing clothes, pots, bodies, floors, cars and flushing toilets, the amount drunk is negligible so why go to the considerable expense of treating it all? What might brewers and soft drink makers say? Far better and cheaper to issue fluoride tablets, free if need be, for its enthusiasts to put in their own drinking water.

**Eric Robinson,**
**28 Avenue Jules Colle,**
**B-1410 Waterloo,**
**Belgium**

## Beached

*From Mr Barney Trench.*

Sir, It would be easier to generate positive thinking about London's millennium exhibition if we had some idea of the marvels it is expected to contain. At the moment the project looks like a jellyfish on a dirty beach.

What are the big attractions?

**Barney Trench,**
**83 rue Marie-Thérèse,**
**Brussels, Belgium**

## Barrow full

*From Mr Desmond Keating.*

Sir, If the UK rejects the European single currency and sterling stands alone, will not George Soros need to get himself a much larger wheelbarrow?

**Desmond Keating,**
**13 Cedar Hall,**
**Millbrook Court,**
**Dublin 6, Ireland**

هكذا من الاصل

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Tuesday December 17 1996

# Boeing, Boeing

Yesterday's positive stock market response to Boeing's planned merger with McDonnell Douglas suggests Wall Street believes the companies' shareholders will gain from the deal. But it is hard to be as confident that it will benefit the long-run interests of the two companies' commercial customers – or even the companies themselves.

In one sense, the merger is simply the latest result of pressures for consolidation of aerospace businesses worldwide. As such, its logic is hard to fault. The prospect of a still more formidable Boeing may also be just what is needed to jolt Europe's politicians into pushing through a long overdue rationalisation of their defence industries and of Airbus, the commercial aircraft consortium.

That much is positive. However the deal could also pose threats to competition. These are not primarily related to the scale of the merged company. Nor do they stem from the commanding position it would enjoy in world civil aircraft sales, since Boeing and McDonnell seldom compete directly these days for such orders. The doubts arise from the nature of – and relationship between – the businesses which the enlarged group would span.

Commercial aircraft programmes have long benefited from defence spending, which defrays research and development costs and allows the two business to share resources. A merger with McDonnell would treble Boeing's defence business and increase its access to public funding. Although US anti-trust authorities plan to scrutinise the deal, this aspect seems unlikely to rank high among their priorities. In any case, their verdict is likely to be heavily influenced by the Pentagon's views, which reflect its own interests as a monopsony buyer primarily concerned with national security.

But the issue is of legitimate concern to Airbus, whose position could be seriously weakened if the merger strengthened Boeing's ability to cross-subsidise civil aircraft. That, in turn, could unleash political pressures in Europe for renewed government aid for Airbus, which the US has severely criticised in the past. Both outcomes would be contrary to a free and efficient world market.

These risks, and the global nature of the commercial aircraft market, give airlines everywhere a valid commercial interest in the Boeing-McDonnell merger not leading to unfair competition. That can best be ensured by subjecting the merger to international anti-trust scrutiny. The US authorities should invite competition bodies elsewhere, notably in Europe, to join them in vetting the deal. Such transatlantic co-operation has already worked well in investigations into Microsoft and Nielsen and IRI, the US market research firms.

In addition, the EU should urge the US quickly to resume negotiations in the World Trade Organisation on curbs on indirect subsidies for commercial aircraft production. US airlines have as strong an incentive as their counterparts abroad to press for rules to stop manufacturers using government funding unfairly to drive their competitors out of business. Such rules should also be in Boeing's long-term interest, if the alternative is the risk of a ruinous international subsidy race.

# Sky's limit

In the next few weeks, the pattern will be set for the introduction of digital satellite television in the UK. British Sky Broadcasting is expected soon to decide which kind of decoder boxes to order for the projected launch of some 200 television channels next year. The first batch is expected to be relatively simple, carrying conventional television programmes. More complex decoders will surely follow, to exploit all the computer-like possibilities of digital transmission, including interactive services such as banking and shopping.

When BSkyB has decided on the specification for decoders and placed orders with suppliers, other programme providers, notably the BBC and the independent channels, will be able to decide whether they want to negotiate to transmit their programmes via the same system. Alternatively they might seek a licence for the technology so that they can develop their own systems, either using the BSkyB decoder or an add-on module.

The BBC continues to fear that it will be denied full and fair access to the technology, which has been developed within Mr Rupert Murdoch's News Corporation, 40 per cent owner of BSkyB. Certainly, it would be against the public interest if Mr Murdoch (or anyone else) should use his control over the digital gateway into UK living rooms to block access to competitors.

However, some in the BBC appear to yearn still for the days when it was the monopolist – of technology as well as airwaves. In the digital world it is far behind BSkyB, and it is having difficulty coming to terms with the need for negotiations with a tough rival.

The UK government has been discussing regulations with the industry since the summer, and the final version is due to be published shortly. It will have to balance the public interest with the requirement that BSkyB obtain a fair return on its investment. Oftel, the telecommunications regulator, will have the task of ensuring that all programme providers can gain access to the Murdoch gateway on reasonable terms.

The regulations fall short of the BBC's demand that BSkyB should be required by law to licence its technology to competitors. But the new rules give Oftel ample authority to ensure fair play. The referee's record in keeping British Telecom onside suggests that he will hold his whistle near his mouth.

# Brussels beef

The UK government's handling of mad cow disease, or BSE, exposed serious flaws in food safety regulation and created widespread alarm. The response of other EU nations and of the European Commission only added to the confusion.

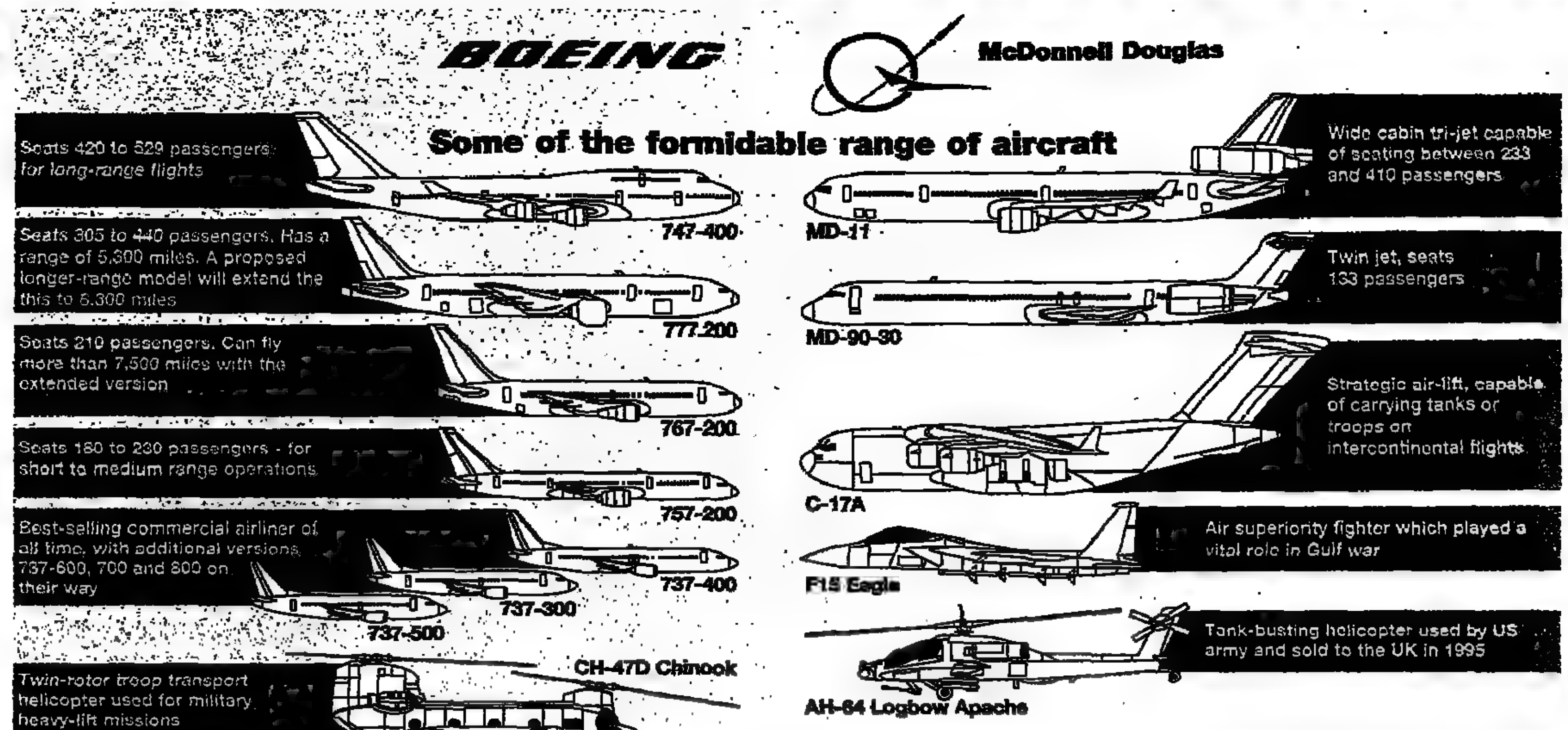
Mr Franz Fischler, the European agriculture commissioner, has correctly identified some of the most serious problems in protecting consumers. But it is doubtful whether his modest proposals yesterday for more Brussels-based controls would avoid a repeat of the BSE fiasco.

During the scientific debate, experts in the EU's standing veterinary committee too often wore their national hats rather than taking a dispassionate view. They and member governments also appeared to put farmers' interests before those of consumers. The implementation of measures agreed to control BSE was not monitored adequately by the Commission itself, not least due to its modest resources. Europe has a lot to learn from the US Food and Drug Administration, which is politically independent and commands consumers' respect.

Mr Fischler proposes a strengthened scientific committee to give the Commission advice independent of the vets committee. But since the vets committee seems to be the source of difficulties in the first place, the best solution would be to reform it directly by giving its scientific remit priority over national interests. Adding another bureaucratic layer could add to the confusion.

The second of Mr Fischler's reforms would be to move responsibility for monitoring member states' implementation of food safety measures out of the Commission's agriculture directorate into a new, free-standing agency. This would be modelled on Europe's Court of Auditors, and would need substantial resources to carry out its job properly. This proposal would not avoid the current crossed lines between the Commission, which is supposed to ensure that rules are observed, and the member states, which are meant to police them.

By emphasising scientists' views over politicians' and farmers', Mr Fischler's proposals would be a move in the right direction. However, if consumer confidence is to be rebuilt, more radical reform of food safety supervision is needed in all EU member countries as well as Brussels. Only then will political interference with science be kept within bounds.



# Cruising at dizzy heights

## Boeing's takeover of McDonnell Douglas finds Europe's aircraft makers deeply divided, say **Michael Skapinker** and **Bernard Gray**

The takeover of McDonnell Douglas by Boeing should be seen as an opportunity rather than a threat by its rivals, a senior European airline executive said yesterday. The two US companies would be spending so much of the next year putting their organisations together and dealing with competition regulators that they would have little time to sell aircraft, he added.

But although there are enormous obstacles to the merger of the two companies, the observation was not entirely serious. The takeover of McDonnell Douglas, the top manufacturer of fighter aircraft, by Boeing, the world's biggest maker of civil aircraft, is widely seen as the precursor of huge changes in the world's aerospace and defence industries.

The merged company, which is to carry the Boeing name and be dominated by its executives, will be an overwhelmingly large presence in the civil aircraft market, with more than 60 per cent of global sales. It will challenge Lockheed Martin for dominance of the US defence market. And if successful, it will make Europe's faltering attempts to consolidate its defence industry look feeble.

While the timing of the announcement was a surprise, the two companies have been talking for years. Aerospace industry executives believed McDonnell Douglas would have to find a partner and that its disappearance from civil aircraft manufacturing was merely a matter of time.

Boeing has long been dominant in the civil industry, with 346 orders last year. While McDonnell Douglas managed to edge Airbus into third place, winning 110 sales to the European consortium's 106, this was widely seen as an interruption in its long-term decline.

Its main problem is the small range of aircraft it offers for sale. Aircraft manufacturers believe it will be essential in future to offer airlines an entire family of aircraft, ranging from 100 seats to 550. Buying aircraft with common electronic and operating systems from one manufacturer enables airlines to make savings on training, maintenance and the purchase of spare parts.

Aircraft manufacturers are particularly keen to compete in the market for expensive aircraft of 400 seats and more, where Boeing has a monopoly with its 747.

Boeing is trying to increase its dominance of the large aircraft sector with a 550-seat "stretched" version of the 747. Airbus plans 375-seat and 550-seat aircraft to add to the 335-seat A330.

McDonnell Douglas, however, has failed in its attempt to extend its range beyond its 300-seat MD-11. The company earlier this year abandoned plans to build a 400-seat version of the MD-11.

And Mr Harry Stonecipher, chief executive of McDonnell Douglas, said at the Farnborough air show earlier this year that he did not believe Boeing would ever build its 550-seater. But by the beginning of this month, Mr Stonecipher had put these reservations aside, agreeing not only that Boeing would build its "stretched" 747 but that McDonnell Douglas would be a sub-contractor on the programme.

That announcement, followed swiftly by Sunday's unveiling of the Boeing takeover, signalled McDonnell Douglas's demise after 76 years as an independent maker of civil aircraft.

One immediate advantage of the merger is that Boeing will be able to make use of McDonnell Douglas engineers. With demand from carriers rising, Boeing is increasing its output of Boeing 737s from 10 a month in January to 17 a year later. There will also be increases in production of the 747 and the twin-engined 400-seat 777.

The company is desperately short of skilled staff and has been advertising for engineers and designers in Europe. McDonnell Douglas engineers and designers will be moved to Seattle to work in the merged company.

While the merger eliminates one of the world's three manufacturers of large aircraft, it will not substantially increase the competitive pressure on Airbus. This is because most recent contests to supply aircraft to airlines had become straight fights between Boeing and Airbus.

McDonnell Douglas managed to defeat Airbus last year in the contest to sell aircraft to ValuJet, the cut-price US carrier. ValuJet agreed to be the launch customer for the McDonnell Douglas' 100-seat MD-95 aircraft.

But other keenly-fought contests – such as those to supply aircraft to Singapore Airlines, Malaysia Airlines and USAir – have been straight fights between Boeing and Airbus.

However, aviation analysts say they doubt the takeover will substantially reduce price-cutting in the airline market. Competition between Boeing and Airbus will remain fierce, with airlines attempting to play them off against each other on both quality and price.

British Airways and Singapore Airlines, the two most likely customers for new generation 550-seat jets, are refusing to commit themselves to Boeing's new aircraft until they have seen what Airbus has to offer.

The implications of the merger for the global defence industry are more significant. The US now has two giant military aircraft makers.

Lockheed Martin manufactures the F-16 light fighter, has the lead role on the next-generation F-22 top-of-the-line aircraft and is a contender for the $100bn (£71bn) Joint Strike Fighter.

Boeing will now have an even bigger range. It will have a subsidiary role on the F-22, half of the V-22 Tiltrotor for the US Marines, the F/A-18 for the US Navy and the giant C-17 transporter.

It is also a contender for the Joint Strike Fighter. And its extensive sales of older-generation models such as McDonnell's F-15, AV-8B Harriers and training aircraft and helicopters will generate income from spares and upgrades for years to come.

Within the US, these two companies will now dominate large-scale equipment programmes for the Pentagon. They will be the two groups which have the overall contracting skills to bring together the increasingly complex web of sensors, computers and weapons in aircraft and make them perform together.

There is likely to be further rationalisation of second-tier and third-tier suppliers which supply components for these giants. Recently, Hughes announced that its radar and missiles business was up for sale, for example.

Both the giant US military aircraft makers now have a turnover more than twice that of their largest European competitors. The European military aircraft industry, by contrast, remains fragmented and almost aimless.

Informal talks between most of the defence companies recognise the need for change, but melt away before hard decisions are taken. It would make sense, for example – and ought to be comparatively easy – to merge the military businesses of British Aerospace and Daimler-Benz Aerospace, since both work on the Eurofighter and on Airbus civil aircraft. Yet nothing is likely to happen until production contracts for the Eurofighter are finally signed.

It is even harder to rope in the French defence industry – by and large it is working on different programmes, having opted out of Eurofighter in the 1980s. Worse, the French industry is still largely state-owned and badly in need of restructuring.

The privatisation of Thomson, the defence and electronics group, has been derailed – showing that getting even profitable defence companies into the private sector can be surprisingly difficult. The kind of international mergers necessary to compete with the US, with the loss of sovereign control that implies, are proving almost impossible to negotiate.

The hiatus gives the US giants an opportunity to pull even further ahead of Europe – an opportunity they seem keen to use.

Within Europe, the US is already making headway. Britain is putting $200m into the US Joint Strike Fighter because it hopes it will produce a replacement for the Royal Navy's Sea Harriers. Countries such as Norway, Belgium and the Netherlands, which bought the F-16 from the US, might also enter the Joint Strike Fighter project. Daimler-Benz Aerospace has worked with Rockwell of the US on some technologies.

Outside the EU and the US, European fighter manufacturers are being squeezed.

Saab of Sweden and British Aerospace thought they had a marketing agreement sewn up to manufacture the Swedish Gripen fighter aircraft for Hungary, only to be undermined by a cheap offer of F-16s from Lockheed Martin. In the United Arab Emirates, the F-16 will also dominate a $8bn fighter order, and the French manufacturer Dassault will get a share only if the US is reluctant to release some sensitive technologies to the Gulf state.

The result may be that Europe's defence industry is forced into ever-smaller and less attractive niches, selling aircraft or technologies to countries which the US does not care to back. And as the export base shrinks, the cost of producing smaller numbers for the domestic market rises. The four-nation Eurofighter and French Rafale could then be the last generation of fighters designed in Europe.

The complicated process of merging organisations as large as Boeing and McDonnell Douglas might give Europe's aerospace and defence companies a breathing space. By this time next year, however, they will probably be up against a more formidable competitor than they have ever faced before.

# · OBSERVER ·

## Swallowing McDonnell

■ By falling into the open arms – or is it jaws? – of Boeing, McDonnell Douglas has finally succumbed to the longest-running battle in aviation.

In the 1920s and 30s William Boeing and Donald Douglas jostled for the top slot in the fledgling airplane business. Boeing even stooped to buying an early Douglas seaplane – under the pretext of using it to service his yacht – to get a close look at his rival's design. Their common inspiration was Glenn Martin, founder of what is now defence giant Lockheed Martin, who taught Boeing to fly and gave young Douglas his first job.

Both companies have come close to nose-diving since then. In the early 1970s Boeing was nearly bought to its knees by the elephantine development costs of the jumbo jet. A few years before, Douglas Aviation ran into turbulence before agreeing to combine with the military-minded, St Louis-based McDonnell Corporation.

Donald Douglas Junior was edged out of the business following the merger, leaving the McDonnell clan to provide senior management; that includes the present mild-mannered chairman John McDonnell, who has been roundly criticised for his indecisive style and whose future in the new company is up in the air. The infusion of outside blood two years ago in the form of chief executive Harry Stonecipher, a tough-talking former General Electric man, came too late to reverse the strategic drift.

Being swallowed whole by its great rival is a sad end for the company responsible for the first round-the-world flight and the first aircraft to fly at twice the speed of sound. In the course of its 76-year history McDonnell Douglas has always made great play of celebrating corporate milestones on December 17, the anniversary of the Wright brothers' first powered flight. Would have been nice to maintain the tradition by announcing the deal today – but Boeing is in a hurry and Boeing is boss.

## Net on net

■ Israel's Benjamin Netanyahu is the latest world leader to venture into cyberspace, holding an on-line question-and-answer session with nerds around the globe. The results of this venture into virtual democracy were at best mixed. Less than one-third of the 10,000 people who tried to call the Microsoft-NBC web site managed to get through. And Netanyahu had time to answer only a dozen questions, partly because the session was interrupted by matters of state – the PM had to take an old-fashioned phone call from Yassir Arafat. The Palestinian president has, apparently, yet to discover the joys of e-mail. Besides, Netanyahu is hardly a dab hand with the keyboard; proceedings were slowed as he dictated his answers for his secretary to type. Sounds like he should stick to the sound-bite and soapbox.

## Goodbye sailor

■ The grubby business of transfer fever has hit the sea-fresh world of ocean yacht racing. In a mould-breaking move, UK cigarette maker Gallaher has coughed up a six-figure sum to get top skipper Lawrie Smith on board for next year's Whitbread round-the-world challenge.

Smith has been wooed out of his Whitbread race contract with Swedish team EF – funded by an eponymous international language school – by Gallaher, due to be floated off by US parent American Brands; he will now, instead, take the helm of the 60ft Silk Cut. Gallaher's overall budget for the race is likely to be around £6m – a chunk of which will now go to EF for the loss of Smith, together with five of his fellow crew members.

Smith says he's delighted to be leading a British crew under a British flag in the 32,000-mile marathon. EF may not initially have been quite so pleased, but it's wasted no time finding a replacement. The new man is San Francisco-based Paul Cayard, who recently secured the backing of the Netscape software business for his America's Cup challenge in New Zealand in 2000. The Whitbread should help get him up to speed.

## French kiss

■ No sign of festive spirit in the British parliament, where mistletoe is the latest commodity to raise the ire of patriotic members. Euro-bashing Conservative Teresa Gorman called on Britons to refrain from kissing under French mistletoe this Christmas. Either opt for home-grown versions of the parasitic plant or refrain from snogging, was her advice.

"There are many good, healthy, sensible people who refused to buy French apples or French bread and who, I hope, will now refuse to buy French mistletoe, even if it means a little less intimacy over the Christmas period," she said. Male MPs on both sides of the political divide will be hoping she practises what she preaches.

The Financial Times

## 100 years ago

**Yankee Brewery Wars**
Most of the important American brewery companies in which British investors are interested have now published their annual reports. Our American cousins have taken to record beating in all departments, and in the brewing trade they have succeeded in bringing competition to a fine art. A year ago, the great companies having Chicago for their centre of operations were indulging in the costly luxury of a beer war, one result of which was that in that highly favoured city it was said to be cheaper to drink beer than water.

## 50 years ago

***Interests In India***
British commercial interests in India are anxious to know how political developments will affect their position. Pandit Nehru has just told the Associated Chambers of Commerce in Calcutta his views, and, outwardly, they seem realist enough. Two countries so closely associated for 150 years cannot abruptly sever trade relationships without damage. Anyhow, there should be room for both sets of interests. This is reassuring, as far as it goes, from a leader who has just called for a resolution favouring an independent republic.

FINANCIAL TIMES
Tuesday December 17 1996

# Compensation award for Kuwait oil fires

By Frances Williams in Geneva

International arbitrators have recommended compensation of $610m for Kuwait Oil Company for the cost of putting out oil well fires started by Iraqi troops at the end of the Gulf war in 1991.

Western diplomats said yesterday they expected the award to be endorsed today by the United Nations Compensation Commission (UNCC), the UN body administering Gulf war compensation claims, at the end of a two-day meeting in Geneva.

The Kuwait Oil Company filed a claim for $950m three years ago. The three neutral judges appointed by the commission have proposed that the remaining $340m be considered under another claim category.

The award, the first and biggest corporate claim to be adjudicated by the commission, comes shortly after agreement between the UN and Iraq on terms for implementing the "oil-for-food" deal.

Under this arrangement, for six months initially but renewable, the UNCC will receive 30 per cent of Iraq's oil export revenues, equivalent to $100m a month.

Individual claimants have first call on this money. Because of lack of funds, the commission has so far paid out just $13.45m to nearly 4,000 people who suffered serious injury or lost a close relative during the seven-month Iraqi occupation of Kuwait.

A further $630m in individual claims is also due to be approved today, bringing the total so far awarded to nearly $3bn. The UNCC hopes to start paying these claims in March.

About 700 oil wells were set alight by Iraqi troops during their retreat from Kuwait after defeat by a US-led coalition of western and Arab forces. Iraq, which has argued that the fires were the result of Allied bombing, has reportedly lobbied to delay a UNCC decision on the case.

Baghdad complained last year that the UN embargo had deprived it of funds to mount a proper defence, and walked out of oral hearings when the panel refused a suspension to give Iraq more time to prepare its case.

The 15 members of the commission, which has the same country make-up as the UN Security Council, considered the judges' report yesterday but decided to continue their discussions for a second day. Western diplomats said they hoped a final decision would come today despite the concerns of some commission members.

The UNCC has received total claims worth nearly $200bn from 2.6m individuals, companies and governments.

It has already dealt with over 2.2m individual claims but says it will take up to five years to sift through the remainder.

# MPs hit at Bank of England's role over Barings

By James Blitz, Political Correspondent

One of the strongest attacks yet on the way the Bank of England handled the collapse of Barings will be launched tomorrow by an influential committee of MPs.

They will question whether it should retain supervision of the UK banking system.

The Commons Treasury committee is publishing a report after nearly two years of taking evidence from bankers and regulatory authorities around the world.

It will say there was a string of "weaknesses" in the way the Bank of England handled the crisis and that "there may be a case" for an independent banking supervisor.

In recent months the government has rejected this idea.

The report marks a significant shift in the committee's view. Two years ago it argued there was "no overwhelming case" for an independent supervisor.

The committee will accuse the Bank of allowing its supervisory system to break down in three areas:

- "the evaluation of internal controls at banks";
- "internal communication at the Bank of England itself";
- "the application of existing Bank of England rules".

The report says there may be a conflict of interest between the Bank's ambition to make London the most competitive financial market in the world and its role as supervisor of the UK system.

The report may also insist that all responsibility for financial regulation should be consolidated under the Treasury, depriving the Department of Trade and Industry of any role.

"Barings was a bank with a large securities operation attached," said an MP on the committee. "We believe that, as financial institutions become more hybrid, it makes more sense for their regulation to be consolidated under one arm of government.

The committee is also highly critical of the Bank of England's refusal to co-operate with an investigation by the Singapore monetary authorities' into how Mr Nick Leeson concealed more than $1bn of losses from the merchant bank.

In evidence to the committee, the Bank argued that there had been legal barriers to international co-operation with the Singapore authorities – particularly over the exchange of information.

The report says the government should seek to amend banking legislation so it does not impede such co-operation.

## McDonnell takeover

Continued from Page 1

tions for competition. Airbus said McDonnell had not been a force in the civil aircraft market for some time.

"Most of the big contests are Airbus against Boeing anyway. We're used to facing Boeing. The terms of competition won't change," Airbus said. However, Mr Günter Rexrodt, the German economics minister, insisted that developments in the US must hasten the conversion of Airbus into a conventional company.

"Airbus Industrie and its partners must agree as soon as possible on an optimal structure that will allow Airbus Industrie to match its American competitors as a powerful, integrated European enterprise," he said.

## Chinese shares go into freefall

Continued From Page 1

cent since April 1 and Shanghai has leapt 120 per cent.

China's stock exchanges, under the direction of the China Securities Regulatory Commission, announced on Friday they were imposing a 10 per cent limit on share and indices movements in a single day.

Those limits were invoked yesterday to stop the markets going into freefall.

Shanghai's B-shares for foreign investors are down more than 30 per cent in one week.

"Investor confidence was totally destroyed," said a Shanghai-based broker.

# Key Japanese MP quits main opposition party

By William Dawkins in Tokyo

Japan's fragmented political opposition suffered a further blow yesterday when Mr Tsutomu Hata, a former prime minister, announced he was leaving the main opposition party to form a rival political grouping.

Mr Hata, one of the three most powerful figures in the New Frontier party, the main opposition party, had fallen out with Mr Ichiro Ozawa, the NFP's president.

His departure should benefit the minority government of prime minister Mr Ryutaro Hashimoto's Liberal Democratic party.

The LDP is attempting to carry out an unpopular increase in sales tax next year, as well as implementing ambitious financial market reforms and streamlining the bureaucracy. The party will today announce plans to reduce government controls and business regulations in an attempt to stimulate further economic growth.

Political observers believe at least 10 NFP members of parliament will follow Mr Hata and that he might even attract the support of a third party baron, Mr Morihiro Hosokawa, another former prime minister.

These manoeuvrings would leave Mr Ozawa almost isolated, dependent on the support of an influential but wavering Buddhist movement, Soka Gakkai.

Mr Hata and the NFP president have feuded over the distribution of the party's jobs, including that of leader, since the NFP was founded two years ago, with a promise to abandon old-style factional politics and promote a more open system of government.

Strains between the two men reached breaking point after the NFP's poor showing in a general election in October, when it won only 153 seats, seven fewer than in the previous parliament.

The ruling LDP won some NFP-held seats, helping it return to one-party government for the first time since it was thrown out of power in 1993, after nearly four decades of power.

Mr Ozawa and Mr Hata used to be senior members of the LDP, and it was their decision to leave the party that led to its 1993 election defeat, after which it spent a year in opposition.

Mr Hata said yesterday he would work with other opposition groups, including the newly formed Democratic party, which co-operates with the government case by case.

Japan's opposition now includes four main groups, not including Mr Hata's planned new party.

Mr Hata said yesterday he planned to set up a new group within a year.

## THE LEX COLUMN

# Reluctant dollars

Japan's much-touted wall of money has been much in evidence recently: between April and October, Japanese investors bought $33bn of US securities net; double the amount for the whole of last year. Ironically, although many of these investors have profited handsomely, they have hardly been enthusiastic buyers. It is simply that the dismal domestic alternatives – cash rates of around ½ per cent, government bond yields down at 2.4 per cent and a stagnant Nikkei – left them with little alternative.

This backdrop looks unlikely to change soon. US cash rates, for example, still look attractive compared with what is on offer in Japan. But there are reasons for doubting that capital flows to the US will continue at the rates recently seen. Not only have US share and bond prices risen a lot, but the yen has also weakened. Wall Street is less attractive at Y114 to the dollar than Y80. The risk of exchange rate losses is greater, given that the yen has already weakened so much.

The exchange rate outlook is also exacerbated by signs of policy frictions with the US. The US would like Japanese authorities to boost demand, but fiscal plans currently on the table will cut final demand by between Y15 trillion (million million) and Y20 trillion. Japan's fast-growing bilateral trade surplus, spearheaded by car exports, is also a growing irritant. This situation cannot persist for long without the US again being tempted to resort to dollar devaluation. So long as this prospect remains, Japanese will remain reluctant investors.

### American Express

Mr Harvey Golub, American Express's chairman, recently said the group needed a maniacal focus on expanding the business. Perhaps he meant gargantuan: his merger approach to Citicorp would, if successful, have produced a consumer financial services behemoth. The appeal is obvious. Amex would have gained the opportunity to sell to Citicorp's US and international customer base, potentially releasing it from its problems of stagnant revenues and falling market share in the global card business. Citicorp, meanwhile, might have been able to cross-sell services to Amex's customers. It would also, presumably, have liked to gain control of Amex's asset-management business.

FTSE Eurotrack 200: 1903.9 (+23.9)

The fact that talks failed is hardly surprising. Price may have been the stumbling block: Amex's market capitalisation is about $26bn; with a premium on top of that, even Citicorp would need to think twice. Marrying the two brands would also have presented problems, as would Citicorp's existing ties with Visa and Mastercard.

Having failed to hit the home run, Mr Golub will probably have to settle for a more methodical progress round the bases – something he is good at. The past 18 months have seen a stream of plans, including allowing banks in other countries to issue Amex brand credit cards and co-branding with groups like Hilton and Delta. Of course, it is possible another partner may present itself, but size considerations will ensure this is a small list.

### Bass

There is a good reason, and a more dubious one, for Bass's sale of 61 of its US hotels. The good reason is that owning hotels is not necessary, at least in the US, to support Bass's Holiday Inn business – which is essentially a franchising operation. Selling the hotels will allow Bass to focus on the core franchising business. That said, it would not be surprising if Bass redeployed some of the cash to buy hotels in Europe. Given that the Holiday Inn brand is not nearly as well-known as in the US and that European hoteliers are therefore not rushing to sign up as franchisees, it may make sense to prime the pump by owning more hotels itself in the region.

The sale price – $659m for hotels which made $69m operating profits last financial year – is not stunning. But if Bass had kept them, it would have had to invest at least $75m on refurbishment. Moreover, the purchaser is converting 10 of its existing hotels to the Holiday Inn brand, bringing an extra $4m a year in franchise fees. Add all that in and the price is certainly creditable.

The more dubious reason for the sale is that Bass thinks US hotel assets are near their peak, while European ones are rising. Maybe. But shareholders have little reason to suppose Bass will be able to spot the peaks and troughs of the cycle with greater skill than anybody else. Recycling capital from the US to Europe will be fine if done for good strategic reasons. Otherwise, the management should hand the cash back to shareholders via a special dividend.

### Insurance broking

Lloyd Thompson's £173m acquisition of JIB is hardly in the league of Aon's $1.2bn acquisition last week of Alexander & Alexander Services. But it does show that the insurance broking industry is finally grappling with its uneconomic structure. Margins are under pressure due to excess capacity and customers have increasingly been cutting out the broker middleman. Mergers and cost-cutting among the biggest brokers – like Aon and A&A – therefore make abundant sense.

With a global superleague emerging, smaller brokers are having to work hard to carve out a role for themselves. Hitherto, Lloyd Thompson has sensibly chosen to focus on specialist areas like energy insurance and aviation reinsurance, which are less exposed to the vigorous competition. Taking over the larger JIB – which has an extensive network of offices in Asia – could put it in a more awkward strategic position. The new Jardine Lloyd Thompson (JLT) will be too big to be a niche operator, but too small to compete across the board with members of the superleague.

In the short run, that may not matter. Lloyd Thompson's well-regarded management has plenty to do to improve the margins of JIB's underperforming London business. It is also probably better to have a multi-niche strategy than to try to offer an all-singing, all-dancing service from too small a base. But, longer term, JLT may find it has to make further acquisitions if it wants to knit its patchwork of niches into an elegant quilt.

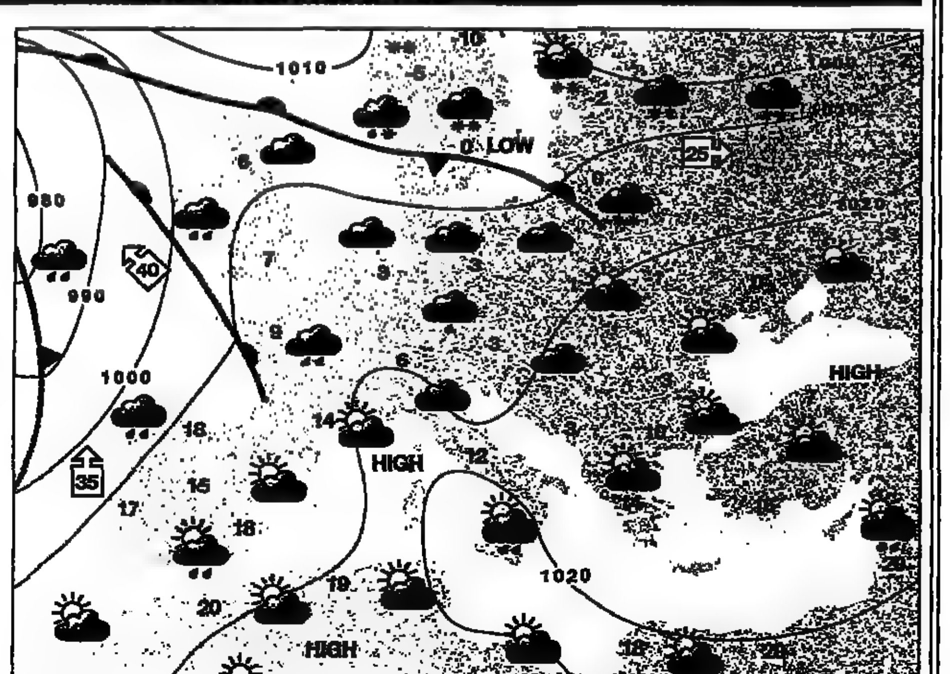
## FT WEATHER GUIDE

### Europe today

Most of northern Europe will have low cloud. The UK will be mainly cloudy. Ireland and western France will have cloud and rain. The Benelux and western and southern Germany will have persistent fog and some drizzle. Southern Scandinavia and Russia will be cold with snow. Spain and Portugal will be mild, with temperatures exceeding 15C, but cloudy with heavy rain in the west. Italy and parts of the Balkans will have some showers. South-eastern Europe will stay dry with sunny periods.

### Five-day forecast

North-west Europe will have cloud and heavier rain from Wednesday. It will be mild at first but temperatures will drop at the end of the week. Portugal, France and the Alpine countries will also have rain. The south-east will stay mainly dry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maximum | Beijing | sun 0 | Caracas | fair 30 | Faro | shower 18 | Madrid | shower 15 | Rangoon | sun 32 |
| | Celsius | Belfast | fair 8 | Cardiff | cloudy 8 | Frankfurt | drzzl 3 | Majorca | fair 17 | Reykjavik | sleet 1 |
| Abu Dhabi | sun 24 | Belgrade | fair 7 | Casablanca | cloudy 21 | Geneva | cloudy 7 | Malta | shower 17 | Rio | thund 27 |
| Accra | fair 31 | Berlin | cloudy 3 | Chicago | cloudy -2 | Gibraltar | shower 17 | Manchester | fair 6 | Rome | shower 15 |
| Algiers | shower 20 | Bermuda | fair 21 | Cologne | cloudy 3 | Glasgow | fair 7 | Manila | thund 30 | S. Frsco | sun 18 |
| Amsterdam | cloudy 5 | Bogota | fair 19 | Dakar | sun 29 | Hamburg | drzzl 2 | Melbourne | fair 19 | Seoul | fair 3 |
| Athens | fair 14 | Bombay | sun 34 | Dallas | cloudy 2 | Helsinki | snow -4 | Mexico City | fair 22 | Singapore | fair 31 |
| Atlanta | cloudy 16 | Brussels | fair 4 | Delhi | sun 24 | Hong Kong | fair 21 | Miami | fair 26 | Stockholm | fair -4 |
| B. Aires | sun 25 | Budapest | cloudy 5 | Dubai | sun 24 | Honolulu | shower 26 | Milan | rain 5 | Strasbourg | cloudy 5 |
| B.ham | cloudy 4 | C.hagen | rain 5 | Dublin | cloudy 9 | Istanbul | fair 10 | Montreal | rain 4 | Sydney | rain 22 |
| Bangkok | sun 33 | Cairo | fair 20 | Dubrovnik | shower 14 | Jakarta | thund 29 | Moscow | snow -3 | Tangier | shower 19 |
| Barcelona | cloudy 15 | Cape Town | shower 21 | Edinburgh | cloudy 7 | Jersey | rain 8 | Munich | drzzl 4 | Tel Aviv | fair 20 |
| | | | | | | Karachi | sun 28 | Nairobi | thund 26 | Tokyo | rain 13 |
| | | | | | | Kuwait | sun 21 | Naples | shower 14 | Toronto | rain 7 |
| | | | | | | L. Angeles | sun 24 | Nassau | fair 27 | Vancouver | sun 4 |
| | | | | | | Las Palmas | cloudy 24 | New York | rain 9 | Venice | shower 10 |
| | | | | | | Lima | fair 23 | Nice | shower 14 | Vienna | cloudy 4 |
| | | | | | | Lisbon | shower 17 | Nicosia | shower 16 | Warsaw | fair 2 |
| | | | | | | London | cloudy 7 | Oslo | snow -3 | Washington | rain 10 |
| | | | | | | Lux.bourg | cloudy 1 | Paris | rain 5 | Wellington | fair 19 |
| | | | | | | Lyon | shower 8 | Perth | fair 29 | Winnipeg | snow -8 |
| | | | | | | Madeira | rain 22 | Prague | cloudy 2 | Zurich | drzzl 4 |

هكذا من الأصل

FINANCIAL TIMES
# COMPANIES & MARKETS

Tuesday December 17 1996 Week 51

IN BRIEF

## Mannesmann loses Omnitel opening

Mannesmann of Germany last night lost the chance to increase its stake in Omnitel Pronto Italia, the Italian cellular telephone company, when Bell Atlantic International of the US exercised its pre-emptive rights on the holding. The move by Bell Atlantic overrides an agreement made last month under which Olivetti, the troubled Italian information technology company, was to sell Mannesmann 8.26 per cent of Omnitel Sistemi Radiocellulari, which owns 70 per cent of Omnitel, for L432.5bn ($283m). Page 22

**Bass lets go of N American Holiday Inns**
Bass is to dispose of most of its Holiday Inns in North America in a cash and equity deal worth $640m. The UK-based brewer and hotels company is to take a 36 per cent stake in the buyer, Dallas-based Bristol Hotel Company. Page 23

**ASW boosted by sale of recycling unit**
Shares in ASW rose 13 per cent after the financially troubled steelmaker announced the £33m ($54m) cash sale of its metals recycling division in an effort to reduce debt. The buyer is Philip Environmental, a Canadian industrial services company. It also announced that 200 more jobs would go in its manufacturing operations in the UK and France, leaving a total of 2,600 by next summer. Page 23

**Granada U-turn on Méridien hotels**
Granada Group, which planned to dispose of the Méridien chain during its £3.9bn ($6.39bn) hostile takeover of Forte a year ago, now plans to double the number of rooms under the brand internationally to 50,000 by 2000. Page 23

**Newman Tonks rejects £172m takeover**
Newman Tonks, Europe's largest architectural hardware company, said it had rejected a £172m ($282m) takeover offer from FKI, the acquisitive UK engineering group. The Midlands-based group, a leading manufacturer of door handles, locks and hinges, described FKI's 134p-a-share cash offer as opportunistic and unwelcome. Shares in the company rose 27p to 129½p – valuing it at almost £168m. Page 23

**Companies in this issue**

**Market Statistics** http://www.FT.com

**Chief price changes yesterday**

| | | | |
|---|---|---|---|
| **FRANKFURT (DM)** | | | |
| **Rises** | | | |
| Allianz | 2625 | + | 55 |
| Altana | 1220 | + | 30 |
| BMW | 1028 | + | 21 |
| Heidelb Zem | 126 | + | 7.5 |
| Hoechst | 74.35 | + | 2.35 |
| PWA | 203 | + | 7.5 |
| **NEW YORK ($)** | | | |
| **Rises** | | | |
| Boeing | 102¼ | + | 5½ |
| Eljer Inds | 29¾ | + | 10½ |
| Mcdonn Douglas | 62¼ | + | 10¼ |
| Pioneer Fin | 24⅜ | + | 5⅞ |
| **Falls** | | | |
| Jilin Chemical | 15⅜ | – | 1⅝ |
| Sun Intl Htls | 44 | – | 5⅝ |
| **LONDON (Pence)** | | | |
| **Rises** | | | |
| ASW Hldgs. | 38 | + | 4½ |
| Burndene | 36 | + | 8½ |
| Hunters Armly. | 92½ | + | 9 |
| JIB Group | 130 | + | 21 |
| Newman Tonks | 129 | + | 26½ |
| **Falls** | | | |
| Eyecare Prod | 18 | – | 9½ |
| **TORONTO (C$)** | | | |
| **Rises** | | | |
| Anderson Expl | 17.20 | + | 0.85 |
| Renaissance | 40.00 | + | 1.55 |
| Transat A.T. | 27.00 | + | 1.40 |
| **Falls** | | | |
| Adrian Res | 2.80 | – | 1.05 |
| Coho Energy | 9.00 | – | 1.10 |
| Spar Aerospace | 11.65 | – | 0.85 |

| | | | |
|---|---|---|---|
| **PARIS (FFr)** | | | |
| **Rises** | | | |
| Accor | 629 | + | 6 |
| Air Liquide | 810 | + | 11 |
| CGIP | 1320 | + | 49 |
| Eridania B-Say | 825 | + | 27 |
| **Falls** | | | |
| Credit Local | 437.5 | – | 15.6 |
| Pechiney A | 203.2 | – | 2.3 |
| **TOKYO (Yen)** | | | |
| **Rises** | | | |
| Sanyo Pharm | 1580 | + | 50 |
| Kodan | 1550 | + | 90 |
| Mori Seiki | 1620 | + | 90 |
| Ohbayashi | 757 | + | 42 |
| **Falls** | | | |
| Dai Tokyo F&M | 840 | – | 20 |
| JEOL | 700 | – | 19 |
| **HONG KONG (HK$)** | | | |
| **Rises** | | | |
| Cathay Pac | 12.20 | + | 0.35 |
| Chinese Est H | 8.60 | + | 0.15 |
| Hang Lung Dv | 16.35 | + | 0.15 |
| HK & China Gas | 15 | + | 0.40 |
| Vertronix | 13.95 | + | 0.10 |
| Wing On Co | 9.05 | + | 0.10 |
| **BANGKOK (Baht)** | | | |
| **Rises** | | | |
| Inter Far East | 29.00 | + | 2.25 |
| Nation Multimedia | 80.00 | + | 5.00 |
| Shangri-La | [illegible] | + | 2.50 |
| **Falls** | | | |
| Mac Far East | 23.25 | – | 2.00 |
| Robinson Dept | 20.50 | – | 2.00 |
| Thai Telephone | 30.50 | – | 3.25 |

New York & Toronto prices at 12.30.

### Former Billa supermarket head enters fray as rival offer splits government

# Ex-retail chief bids for Austrian bank

By William Hall in Zurich

Mr Karl Wlaschek, a one-time piano bar player who sold his Billa supermarket chain for Sch15bn last summer, has joined the race to win control of Creditanstalt, Austria's second biggest bank, with a last-minute bid for the state's Sch14.7bn ($1.3bn) stake.

Mr Wlaschek, 79, who opened a Viennese perfume store in 1953 and built his business into Austria's biggest retailer, was one of three bidders who met yesterday's deadline for offers for the Austrian government's 19.9m ordinary shares. He joins Bank Austria, the country's biggest bank, and a consortium led by EA-Generali, the Austrian arm of an Italian insurer, who had already indicated interest.

The bid by Mr Wlaschek has added to confusion over the future ownership of Creditanstalt. Last week, Bank Austria appeared to be the front runner. However, its bid has run into political problems and has split Austria's ruling coalition of the Social Democrats and conservative People's party.

On Friday the People's party and Mr Jörg Haider's Freedom party, the main opposition party, joined forces to pass a parliamentary resolution calling on the government to conduct a genuine privatisation of Creditanstalt.

They regard the Bank Austria offer as representing a back-door renationalisation, since the majority of Bank Austria's shares are controlled by the state sector. They are also worried that Bank Austria, which has ties with the Social Democrats, will have too much power after the takeover.

The reputation of Austrian big business has been tarnished over the years by the perception that the top jobs in industry and finance are shared out along political lines.

Mr Viktor Klima, Austria's finance minister, had hoped the political parties would sink their differences to settle the privatisation of Creditanstalt, which has dragged on for nearly six years.

However, the decision of the People's party to join forces with the controversial Mr Haider, a rising political force in Austria, has raised the political stakes considerably. The worry for Mr Klima is that if he chooses the wrong bidder for Creditanstalt he could precipitate a collapse of Austria's coalition government.

Analysts believe Bank Austria has submitted the highest bid and say its offer has the best commercial logic.

Yet the battle for control of Creditanstalt is not just about price and Mr Wlaschek, who has no overt political affiliations, could provide an independent solution to the government's political problems.

But it would be highly unusual for control of a commercial bank to pass into the hands of a private individual, which suggests Mr Wlaschek will have to muster outside support if he wants to be taken seriously. Creditanstalt shares closed Sch11.9 higher at Sch737 yesterday.

Final hurdle, Page 21

# Argentaria set for full sell-off in 12 months

## Spanish bank's reform of strategy impresses markets

By Tom Burns in Madrid

Argentaria, the Spanish banking group that is 25 per cent owned by the government, will be ready for complete privatisation in a year, Mr Francisco González, its chairman, said yesterday.

Shares in the group have risen 6.5 per cent since last week's announcement of a $323m pre-tax charge to restructure its balance sheet and a management shake-up. Yesterday they finished at Pta5,540, up Pta170. Analysts have praised the group's new strategic focus.

Mr González, a former top Madrid stockbroker who was appointed in May by the new government, wants to have "between three and four" institutions as shareholders of the banking group with control of about 10 per cent of its equity before privatisation.

International institutions own some 35 per cent of Argentaria's equity. Mr González has been meeting fund managers in the US this month to explain the bank's strategy, and moves on to London later this week.

The government had wanted an early sale of its 25 per cent stake in Argentaria but weak six-month results announced in October by Mr González under his tough new accounting principles brought the share price down and forced a privatisation-strategy rethink.

"The reference institutions I have in mind will be partners rather than shareholders and I have to tell the true story about the bank. Credibility is the key," Mr González said.

The $323m charge, about half the group's expected pre-tax profits this year, is designed to prepare the bank for a successful disposal.

Mr González said Argentaria had been too dependent on non-recurring income and that its margins had become excessively penalised by lower interest rates. By September he was convinced that profitability was unsustainable over the mid-term and that drastic action was required.

"The group had a short-term strategy and now we are giving it a medium and long-term strategy," he said. "This is a new form of banking in Spain; no other domestic bank has taken a charge the way we have done when it wasn't forced to do so."

Mr Juan Cueto, chief analyst at Madrid brokers Ibersecurities, said: "Argentaria is swapping profits today for profits tomorrow. It's the way banks do things in the US and [is] unusual in Spain."

Buying and selling in Australia: Paul Collins (left) of Brierley Investments and Conrad Black, who controls Hollinger

# Hollinger to sell Fairfax stake

By Bethan Hutton in Sydney

Mr Conrad Black's Hollinger group is to sell its 25 per cent stake in John Fairfax Holdings, the Australian newspaper publisher, to Brierley Investments, the New Zealand-based investment group.

The deal comes at a time when the future ownership of Fairfax – publisher of The Sydney Morning Herald, The Age and the Australian Financial Review – has been the subject of considerable speculation, and Australia's media ownership rules are under review by the government.

Mr Black has made no secret of wanting overall control of Fairfax. Australia's current foreign media ownership rules limit him to a 25 per cent stake but there is no guarantee they will change.

Mr Peter Costello, Australia's treasurer, said yesterday that the federal government had no objection to the deal, because it essentially involved foreign companies.

Brierley Investments is to pay A$447.1m ($357.5m) for 20 per cent of Fairfax ordinary shares and 18 per cent of the debentures, or A$2.82 per share or debenture, through its 96 per cent-owned subsidiary, Australian Consolidated Investments. It has agreed to buy a further 5 per cent of the ordinary shares at the same price, subject to Fairfax shareholders' approval. Even without that approval, under Australian law Brierley could increase its stake gradually, at a rate of up to 3 per cent in six months. At least 20 per cent of the shares are held by Daily Telegraph Holdings, a Netherlands subsidiary of The Telegraph Group, the UK newspaper publisher owned by Canada-based Hollinger.

Mr Kerry Packer would like to merge Fairfax with his Publishing and Broadcasting Limited, which owns 14.9 per cent of Fairfax, but is prevented by current media regulations.

In September Fairfax denied The Telegraph was seeking a buyer for its shares. But in November Mr Black said he would sell if he could not increase his stake.

He has not waited for the outcome of the media ownership review, but there have been strong indications that the government is more sympathetic to Mr Packer's case for relaxing cross-media ownership rules than to lifting the limit on foreign ownership.

Mr Paul Collins, Brierley Investments' chief executive, said yesterday the company looked forward to being "a supportive long-term shareholder in Fairfax", but local analysts saw the move as a short-term investment calculated to profit from the battle for control of Fairfax if media rules are relaxed. Brierley Investments has no history of long-term interest in newspapers or other media.

Hollinger plans to use the proceeds to reduce debt in some of its businesses which include several hundred newspapers in the US and Canada.

# MGAM to pay investors £200m over Young affair

By John Gapper in London

Morgan Grenfell Asset Management will this week embark on the next stage of its costly effort to repair the damage of the Peter Young affair by announcing it intends to pay about £200m ($328m) compensation to some 90,000 investors.

The UK fund management company owned by Deutsche Bank will set out the compensation terms agreed with Imro, the investment management regulator. The money will compensate for losses caused by mismanagement of three unit trusts.

Morgan Grenfell Asset Management, which asked five managers including Mr Keith Percy, its former chief executive, to leave in October after discovering the deception, faces a fine of more than £1m from Imro early next year.

The compensation arrangements will bring the total cash put in by Deutsche Bank to about £400m. The figure includes £180m injected in September, for which Deutsche gained a portfolio of relatively lowly valued securities.

The compensation, which Morgan Grenfell will calculate for investors, will make the affair the most costly upset to a unit trust manager since the industry was founded in the 1930s.

Mr Young, who was discovered to have invested a large part of the £1.4bn in the funds through unlisted holding companies in Luxembourg, has been sacked by Morgan Grenfell, but not charged with a criminal offence.

Although the Serious Fraud Office is making inquiries, investigators have been hampered by their difficulty in pinning down the ownership of some Luxembourg companies.

Morgan Grenfell has been working with Imro to calculate the damage suffered by investors who lost money when the value of the three funds fell earlier this year as many of Mr Young's investments in technology companies lost money.

Although many investors in effect gained falsely from rises in funds' value up to December 1995, as Mr Young decided to pump capital into his chosen technology companies through Luxembourg, they will nonetheless be compensated for later falls.

# Busang gold stakes proposed

By Bernard Simon in Toronto

Barrick Gold, the Toronto-based gold producer, is likely to own about 67 per cent of Indonesia's vast Busang gold deposit under a deal submitted to the Indonesian ministry of mines for approval yesterday.

The rest of the property, expected to be developed into one of the world's biggest gold mines, would be split between Bre-X Minerals, the small Canadian exploration group, with 23 per cent, and the Indonesian government.

The proposed deal follows Indonesia's demand last month that Bre-X, which controls exploration licences to Busang, negotiate a deal with Barrick to speed its development. Indonesia argued that Bre-X did not have the experience or capital to develop Busang.

Bre-X shareholders, who were hoping the company would become the target of a bidding war, have strongly criticised Indonesia's intervention. Bre-X has a market value of close to C$4.8bn ($3.55bn), but its share price has fallen markedly in recent months.

However, the agreement with Barrick appears to have taken the wind out of Bre-X shareholders' sails. Mr Dan Leonard, senior vice-president at Invesco Funds Group, a sizeable Bre-X shareholder, said the risks in trying to derail the deal were too great.

Barrick and Bre-X have indicated their proposed deal takes the form of a joint venture. Bre-X shareholders may also receive a special class of share, giving them an extra stake in profits from Busang.

Barrick, already the largest gold producer outside South Africa, is also expected to put up the capital for construction of the Busang mine, put at $1.3bn-$1.5bn.

Busang, located in east Kalimantan, is estimated to contain at least 57m ounces of gold, and possibly more than 100m. If all goes to plan, the Busang mine will come on stream about 2000.

Barrick said the Indonesian authorities would respond to the proposed deal "in due course". The government is under pressure to give its approval with minimum delay.

Barrick shares gained 85 cents to C$39.45 in early trading in Toronto yesterday. Bre-X was down 85 cents at C$20.15.

THE BOEING/MCDONNELL DOUGLAS DEAL

# A $50bn colossus with only $1bn of net debt

It was the deal that Wall Street had been waiting for. Mr Philip Condit, Boeing chief executive, finally reeled in McDonnell Douglas over the weekend – and was rewarded with a $5bn leap in the companies' combined market value when the stock market opened yesterday.

To judge by an initial review of the numbers involved, he is set to create a colossus with the financial resources to dwarf even its biggest competitors.

The financial power of a combined Boeing and McDonnell Douglas can be summed up simply: a market capitalisation of nearly $50bn and net debt of only $1bn. No wonder Moody's Investors Service promptly said it was considering lifting both companies' credit ratings yesterday.

Equally impressive will be the cash flow that this new aerospace and defence group can generate. With $1bn of savings pencilled in for the short term, and the cyclical commercial aircraft market experiencing a surge in orders, cash flow is likely to climb steadily.

J.P. Morgan, the investment bank which advised McDonnell Douglas on its sale, estimates the combined cash flow of the two companies at $5.5bn next year, before interest, taxes and depreciation, on revenues of $48bn.

That leaves Mr Condit with an enviable problem: how to put to good use the cash mountain that will quickly begin to pile up. The most obvious answer – buying back shares – will not be open to him.

Boeing plans a so-called pooling of interests, a tax-free transaction in which one company acquires another for stock and simply pools the two companies' balance sheets, avoiding the creation of goodwill.

Under US tax rules, such deals cannot be followed by big stock buy-backs for two years or more - a position that was reiterated last year, when a planned $10bn merger of First Interstate and First Bank System was scotched after the two companies' buy-back plans failed to win approval.

Nor does a sharply higher dividend seem likely. McDonnell Douglas shareholders are already being rewarded in the merger with a dividend that will be more than double what they currently receive.

It is also difficult to see the company mounting any other large acquisitions. Boeing yesterday ruled out a bid for the defence electronics operations of Hughes Electronics, the latest defence business to come on to the auction block.

With some 45 per cent of the two companies' combined revenues last year coming from the defence and space businesses, a purchase of McDonnell Douglas would put Boeing well on the way to achieving its goal of bringing greater balance to its operations.

"With Boeing already on top of the largest commercial airline cycle in history, this will provide a major balancing effect on the military side," said Mr Craig Oxman, a managing director at CS First Boston, who advised Boeing on its acquisition.

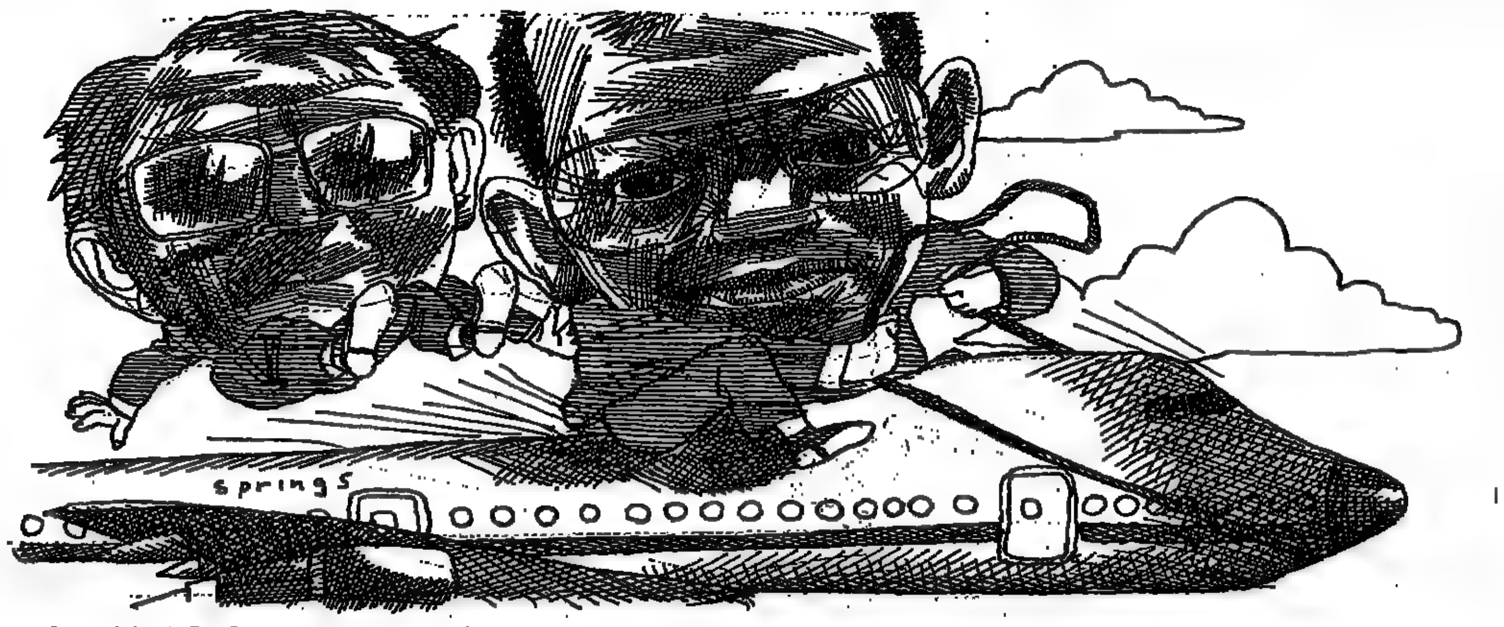
Wall Street's enthusiasm yesterday had as much to do with the earnings impact of the McDonnell Douglas acquisition as with its cash effect.

The St Louis-based company's share price has trebled in the past three years as it has pulled itself out of a tail spin, in the process halving its workforce and lifting its operating profit margins to a healthy 12 per cent. That feat has been achieved against the background of a contraction of US defence spending which has seen McDonnell's revenues fall by a quarter since the start of the decade.

But even after that run, its shares yesterday were trading at only about 15 times its expected earnings for 1997, compared with a multiple of some 20 times at Boeing.

The prospects for Boeing's earnings per share sent airline industry analysts scurrying to raise their earnings estimates yesterday, contributing to the run-up in the shares.

**Richard Waters**



Harry Stonecipher's 'hard man' management style may sit uneasily with the bureaucratic ethos at Boeing, where Philip Condit holds the reins

# Crunchy Stonecipher faces test to adapt

Mr Harry Stonecipher has a cracking line in rhetoric, even if it is occasionally just a little inconsistent.

At the Paris Air Show in 1995, for instance, to the amazement of the rest of the near-suicidal aerospace industry, the McDonnell Douglas chief executive said that if the company was not already making airliners, he would want to get into that market. A little over 12 months later, McDonnell decided it could no longer compete in wide-bodied jets and abandoned plans for a large competitor to Boeing and Airbus.

At the Farnborough Air Show this year, Mr Stonecipher was asked whether the $100bn Joint Strike Fighter programme for the Pentagon would determine who survived in the fighter business. He shrugged and said, "only until the next aircraft." A month later he rowed back from that and called the JSF competition a "must-win" contract for McDonnell. Unfortunately, a month after that, it lost.

Now if he is to become more than a ghost in the Boeing machine, he will have to be a little more careful with such throwaway visions.

For example, in answer to another question at Farnborough only a few months ago, Mr Stonecipher predicted that Boeing would not build the 600-seat "super-jumbo" unless Airbus actually started on a similar aircraft. In his new job, Mr Stonecipher could well be responsible for starting a production line for the aircraft he airily dismissed.

Mr Stonecipher's crunchy comments, designed to give the air of decisive, no-nonsense leadership, are all part of the hard-man image which he likes to cultivate. Yet the style may sit uneasily with Boeing's bureaucratic ethos.

His origins are in a very different business culture. He spent 25 years working for General Electric as the company underwent "Neutron" Jack Welch's revolution. He rose to become head of the company's jet aircraft division.

From GE, he was recruited to be chief executive of Sundstrand, the ailing engineering and defence group. He was widely credited with turning round the company, again through tough management methods.

When the Pentagon decided that McDonnell Douglas needed an infusion of new management blood to replace Mr John McDonnell, the board decided that Mr Stonecipher's brand of hard knocks management was just what was needed.

Whether that was the right judgment is questionable. Parts of the organisation were already on the receiving end of heavy cost cutting. For example, Mr Herb Lenese, the tough head of the fighter business, was already slashing costs at the St Louis fighter headquarters. In spite of the apparently common aim, the two men got on so badly that Mr Stonecipher fired Mr Lenese in October.

What Mr Stonecipher must have realised when he looked at the business, was that the challenges to McDonnell came from external limits to its place in the market, rather than from internal problems. Those constraints – a heavy squeeze on the company's place in the commercial airliner market and an ageing line of fighters – was the problem which Mr Stonecipher was unable to solve.

That logic led him to talk to Boeing about a merger a year ago; those talks failed, apparently on the issue of who got what job. McDonnell's shareholders may wonder whether they won or lost because Mr Stonecipher waited for his hand to be forced before he cut the inevitable deal with Boeing.

**Bernard Gray**

# Condit sets course with shopfloor poetry

Mr Philip Condit, Boeing's chief executive, has had a long time to think about how the company could become the world's pre-eminent aerospace and defence manufacturer. He joined Boeing more than 30 years ago and has never worked for anyone else.

An engineer by training, Mr Condit, 55, constantly stresses the need to look 20 years ahead and to make sure that employees share his vision.

He was appointed chief executive in April, only the seventh person to hold the position since the company was formed in 1915. He is due to take over from Mr Frank Shrontz as Boeing chairman in February. He will also chair the merged company.

Mr Condit's career at Boeing has seen him involved in some of the group's most successful projects, as well as those that never made it out of the hangar door. His first job was as an aerodynamics engineer on the US attempt, later abandoned, to build a supersonic jet.

His biggest success was as head of the programme to build the Boeing 777, a twin-jet aircraft which began commercial service last year.

An engineer with degrees from the Universities of California and Princeton, Mr Condit prides himself on his ability to communicate with shop-floor workers. The company has had its industrial relations problems, including a 10-week strike last year.

After a factory tour earlier this year, he told managers: "What I found were people proud of their company but scared about what lies ahead. I found people who wanted to contribute but didn't think anybody was listening."

Mr Shrontz had already launched a programme to ensure that the voice of the shop floor was heard. Among the suggestions that employees made to a previously unresponsive management was that the company paint white lines on the factory floor. This would enable workers to position machine tools and scaffolding accurately against aircraft rather than relying on trial and error, as they had been doing until then.

Mr Condit has brought in a poet to address his managers. This was not, he said, because he wanted them to become poetry lovers but because he wished to shake them out of their usual way of viewing business and get them to think differently.

He has long wanted to bring greater balance to Boeing, adding a bigger defence business to its civil aircraft division. The merger with McDonnell Douglas will achieve this. Putting the two companies together, however, will demand even more of those famed people skills.

**Michael Skapinker**

# Long faces? Not in Long Beach

By Christopher Parkes in Long Beach, California

Christmas came 10 days early to the Long Beach hangars where 19,000 people assemble commercial and military jets for McDonnell Douglas. Handmade "Going Boeing" signs popped up around the sprawling plant last week. On Sunday, the wishful thinking and rumours were vindicated.

Yesterday, Mr Conway Lawrence, an official with the United Aerospace Workers union, strode briskly across the car park.

"They've been trying for 30 years to get the management straight. St Louis [McDonnell's headquarters] has not been able to do it. But this is great news."

Faith in Boeing's ownership and 60 per cent market share was everywhere apparent, but Mr Tim Jones, a components quality specialist, also had a good word for Mr Harry Stonecipher, McDonnell Douglas chief executive. "It's wonderful. It shows strong leadership," he said. "There's enough work to go round and we'll see the company become more profitable." A young electrical technician who joined six months ago from Argentina added: "Douglas was down and Boeing is on the up."

White-collar workers were less certain, however. Mr Anthony Webb, an attorney who left private practice two years ago, said the manufacturing side would certainly benefit. "But for lawyer types like me, who knows?"

One of the few anxious faces in the foot traffic from the car parks belonged to a 31-year-old salesman. "For two years maybe we'll be OK, while we sell down our existing line. But I suspect in the long term, they will not need two marketing teams," he said.

"Boeing needs the facilities and it needs the craft skills – McDonnell has both," commented an accounts department worker. Two hundred engineers, formerly employed on the MD-XX wide-body jet scrapped recently, had already been asked to move to Seattle to work on successors to the Boeing 747, noted the union's Mr Lawrence.

And there were ample reserves. "In 1989 we had 15,000 members here. Now we have 7,500. Half of McDonnell's skills are still out there," he said.

The takeover extends Boeing's sphere of influence decisively into southern California. It recently took over Rockwell International, which has its aerospace base at Seal Beach, a short hop from Long Beach.

How much capacity Boeing can use immediately – and there is ample space at Rockwell – is an open question. But Mr Gary Brown, from McDonnell's commercial contracts department, saw at least 10 years of good times. "If you look at the problems facing us and Boeing's orders, you have to think it's good for us."

COMPANIES AND FINANCE: INTERNATIONAL

# French accounting rules attacked

By Andrew Jack in Paris

French companies take too long to publish their annual accounts and indulge in much too wide a range of interpretations of accounting rules, a report claimed yesterday.

Of the leading 100 industrial and commercial companies, more than half take at least three months after the end of their financial year before issuing the annual report and accounts, and 18 per cent take more than four months.

Many also exploit a wide range of options available under existing French accounting rules, dealing with subjects such as provisions against retirement costs and capitalisation policies.

The analysis is contained in the 11th annual report produced by a group of five leading French auditing and financial consulting firms: Cauvin Angleys Saint-Pierre, Deloitte Touche Tohmatsu, Ernst & Young, Groupe Chaussimier Conseil and Mazars Y Guerard.

Mr Dominique Thouvenin of Ernst & Young, one of the authors, said companies were publishing information sooner after the year-end, but there was little indication that the quality of the information itself had been improving over the past few years.

In an introduction to the report, Mr Georges Barthès de Ruyter, president of the National Accounting Council, says French regulations are behind the times in reflecting the rapid changes in such areas as financial instruments.

The document highlights a growing number of companies which are making reference to corporate governance in their annual reports, a subject which has caused considerable debate in France.

However, it says there is insufficient information on the background of directors, their activities outside the company and other board memberships they hold.

One-third of the companies analysed provided some information on specialised board committees such as an audit committee, but few offered details on how the committees worked or what they had conducted.

Many companies provided information on remuneration – including Lyonnaise des Eaux, the utilities group which this year for the first time revealed the salary of its chief executive – but it was typically incomplete.

The report calls for better information on the share price movements of companies during the year, including the largest shareholders and the stock market capitalisation.

# Morse to head Salomon's Asia arm

Mr Robert Morse, head of Salomon Brothers' global natural resources group in New York, is to become chief executive officer of Salomon Brothers Asia Pacific, writes Louise Lucas in Hong Kong.

He will also join the US investment bank's management board, the first time Asia has been represented on the policy-making body.

Salomon said the decision to appoint Mr Morse as a reflected the growing importance of the Asia region.

In further reshuffles at the bank, Mr Albert Cobetto, former head of debt capital markets for Asia at Salomon Brothers in Hong Kong, is to leave the company.

His departure follows the arrival of Mr Steven Roberts, who returned to Salomon Brothers to head up debt capital markets for Asia three months ago.

Mr Stevens, who spent 13 before moving to Lehman Brothers where he stayed for 11 months, was brought back at a more senior level to Mr Cobetto, and has overseen a large-scale expansion of the capital markets team since returning to take up the reins as managing director. Mr Cobetto, also formerly of Lehman Brothers, had been with Salomon for two and a half years.

Mr Morse, who has been with the company since 1985, Rowe and Mr William Phillips, who returned to Salomon Brothers in London earlier this month to take up a senior role in equities.

Mr Rowe continues in the roles of chairman of Salomon Brothers Asia Pacific and regional head of investment banking.

Mr Michael Sargent, speciality chemical analyst in US equity research for the past five years, has been appointed head of Asia

هكذا من الاصل

# Austrian bank sale approaches final hurdle

## New bids have brought Creditanstalt privatisation to a climax

Europe's longest-running privatisation has reached the last hurdle. Final bids for the Austrian government's Sch14.6bn ($1.3bn) controlling stake in Creditanstalt Bankverein (CA), the country's most famous bank, were submitted yesterday after a weekend of mounting political intrigue.

The Austrian government has been trying to sell its 19.9m CA ordinary shares since 1990. Deadlines have come and gone, but this time the final hurdle seems to have been reached. There are now three bids, and if the Austrian government bungles the decision, it risks becoming the laughing stock of the European banking community.

The offers are very different. A consortium comprising EA-Generali, the Austrian arm of an Italian insurer, First Austrian, Austria's oldest savings bank, Commerzbank of Germany, Banca Commerciale Italiana, and a hotch-potch of other interests, has been sniffing around CA for years. Until last week it was the only party to have revealed any interest.

Last Wednesday, however, Bank Austria, the country's biggest bank, announced it planned to make an offer for the Austrian government's 70 per cent stake in its main rival. No price was mentioned, but analysts believe it will offer around Sch16bn, or roughly Sch800 a share - a premium to CA's share price of Sch720 on the eve of the announcement. The third bidder is Mr Karl Wlaschek, aged 79, who earlier this year sold Billa, Austria's biggest grocery chain, to a German retailer.

The Austrian government has certain expectations. It wants to maximise revenues from the sale, and sees it as a catalyst for an overdue restructuring of the country's banking system. It would also like to maintain Austrian control and, at the same time, carry through a genuine privatisation.

On paper, Bank Austria's bid looks the most attractive. By taking over CA, it would have combined assets of Sch1,300bn and rank among Europe's top 30 banks. The potential for cost savings is considerable.

On the other hand, it would monopolise Austria's investment banking business and strain Bank Austria's capital ratios. It is also not a proper privatisation, since nearly two-thirds of Bank Austria's shares are owned by AV-Z, a foundation controlled by the City of Vienna and the Austrian government. Furthermore, its two biggest foreign shareholders, WestLB of Germany, and Cariplo, Italy's largest savings bank, are both in the public sector. Bank Austria's opponents describe the bid as little more than the renationalisation of Creditanstalt.

The EA-Generali consortium is believed to have offered a lower price, but offers a private sector solution. Little is known about Mr Wlaschek's intentions, but European central banks generally frown upon big commercial banks being owned by individuals.

The problem for Mr Viktor Klima, the Austrian finance minister, is that his decision cannot ignore the political factors which have dogged this privatisation. Mr Klima is a member of the Social Democratic party, the majority partner in the government coalition, and Bank Austria is regarded as a "red bank", because it is allied to Mr Klima's party.

CA, by contrast, is seen as a "black bank", as it is close to the conservative People's party, headed by Mr Wolfgang Schüssel. Its fear is that it will lose out if Bank Austria takes control of CA.

CA's trade unions, traditionally supporters of Mr Klima's party, are in uproar about the prospect of job cuts in the wake of a Bank Austria bid, and on Friday the Austrian parliament passed a resolution limiting Mr Klima's room for manoeuvre. It called on the government to undertake a genuine privatisation of its stake, not to sell it to companies controlled by federal, provincial or local authorities, and to make sure any sale does not lead to the loss of thousands of jobs – one of the main planks of the Bank Austria bid.

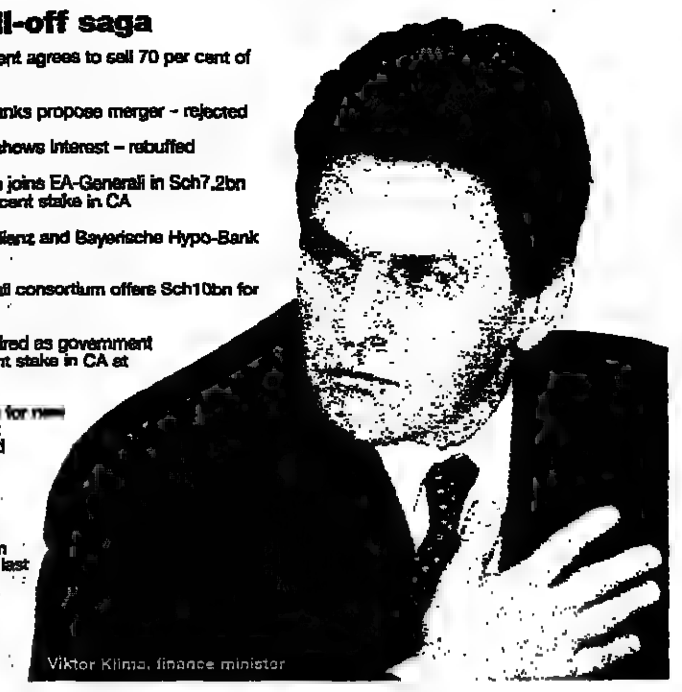
Mr Klima could ignore the resolution, but he risks the collapse of the fragile coalition which has ruled for the past decade. He has bargaining counters left, but does not know yet whether he has a winning hand or whether this privatisation will result in yet another stalemate.

**William Hall**

### A stop-go sell-off saga

- 1990 Austrian government agrees to sell 70 per cent of Creditanstalt
- April 1993 Raiffeisen banks propose merger – rejected
- May 1994 CS Holding shows interest – rebuffed
- May 1994 First Austrian joins EA-Generali in Sch7.2bn consortium bid for 37 per cent stake in CA
- Jan 1995 Germany's Allianz and Bayerische Hypo-Bank submit offer – rebuffed
- March 1995 EA-Generali consortium offers Sch10bn for half of governments stake
- July 1995 JP Morgan hired as government adviser. Values government stake in CA at Sch18bn
- October 1995 Deadline for new bids. Austrian government collapses; sale put on hold
- September 1996 EA-Generali consortium bids Sch9bn for half of government's stake. Offer rejected after First Austrian pulls out of consortium at last moment
- December 1996 Three bids submitted

Source: Reuters



Viktor Klima, finance minister

## INTERNATIONAL NEWS DIGEST

### Thai finance group in 5-year offering

International Finance Corporation, the private-sector lending arm of the World Bank, has arranged a five-year Y10bn euroyen bond offering for Phatra Thanakit, a leading Thai finance and securities company. IFC said the offering was the longest maturity financing ever obtained by a Thai finance company. The aim was to help Phatra Thanakit reduce the mismatch in maturities between its assets and liabilities, and to enable the company to on-lend to its clients for longer periods than in the past, the IFC added. The bond was unrated.

Thai finance companies tend to fund themselves short-term but lend on a longer-term basis. Many companies have reached internal limits on this mismatch and are currently unable to lend over the long term. "By benchmarking the sector through this transaction, IFC is facilitating the progressive diversification of funding sources available to Thai financial institutions," Mr Jernal ud-din Kassum, IFC vice-president, said. "We believe that the more established companies will be able to tap newer markets on their own over the medium-term as they obtain acceptable international credit ratings."

*Ted Bardacke, Bangkok*

### Soffex and DTB in link-up

The German and Swiss futures and options exchanges plan to integrate their trading and clearing systems in a move that will also involve extended co-operation with the US. The Swiss Exchange and Deutsche Börse, which runs the Frankfurt securities exchanges, said they would form a joint subsidiary to create a common technical platform for linking their derivatives exchanges – Soffex (Swiss Options and Financial Futures Exchange) and Deutsche Terminbörse (DTB).

This would enable the DTB to take part in Soffex's existing agreement with the Chicago Board Options Exchange and the Options Clearing Corporation.

*Andrew Fisher, Frankfurt*

### Solid result for BOC India

BOC India, the country's dominant industrial gases group 51 per cent owned by BOC of the UK, reported sales up 13.34 per cent to Rs2.24bn ($62.5m) for the year to September 30, supported by strong volume growth in main products and continuing cost-cutting. The results were at the upper end of expectations. Pre-tax profit jumped 41.2 per cent to Rs161m but net profit fell 25 per cent to Rs135m, after an exceptional gain last time from an asset sale. Earnings per share after exceptionals fell from Rs6.61 to Rs4.96. *Kunal Bose, Calcutta*

### Costs cut CESC profit 59%

CESC, the Indian utility which supplies power to Calcutta and adjoining areas, reported a sharp fall in profits in the six months to the end of September. The company has been hit by a sharp rise in expenses, including interest costs and the government of West Bengal's refusal to compensate it fully for the rise in fuel prices through power tariff revision. Net profits fell 59.4 per cent, from Rs500m to Rs203m ($5.7m), on sales up 12.4 per cent to Rs6.73bn. The result was well below expectations and the shares fell to Rs37.50, a low for the year. Analysts do not expect any significant improvement in profits in the second half. *Kunal Bose*

### Good debut for Australian fund

Units in the Infrastructure Trust of Australia, the country's first listed infrastructure investment fund, made a strong debut on the stock market yesterday. Trading in the units opened at about A$1.40 – a 40 per cent premium to the A$1 issue price. They ended the day at A$1.35. The issue is raising about A$300m (US$238m) for the trust, with A$210m coming from institutions and the remainder from retail investors. The fund will be heavily invested in a number of private sector road projects at the outset – including the large toll-way scheme around Melbourne and a proposed toll-road link between Sydney's city centre and its airport – although the intention is to diversify into other projects, such as utilities and possibly airports, as opportunities become available. *Nikki Tait, Sydney*

### RTZ-CRA buys coal stake

RTZ-CRA, the Anglo-Australian mining group, has bought out the 25 per cent interest in the Hail Creek coal-mining joint venture previously owned by Esso Australia. The deal will take the stake owned by Pacific Coal, the RTZ-CRA subsidiary, to 92 per cent, and it will sell on a small portion of the Esso holding to other partners in the joint venture. This will take the interest held by Marubeni Coal to 5.33 per cent, and the holding of Sumisho Coal to 2.67 per cent. No price was disclosed.

*Nikki Tait*

### NAB plans Taiwan upgrade

National Australia Bank, the Australian-owned group which controls banks in the UK, US and New Zealand, plans to upgrade its Taiwanese operations after securing a licence for an offshore banking unit there. NAB already has a branch operation in Taiwan. *Nikki Tait*

### Arab Bank set for fresh start

Libyan directors of the Arab Banking Corporation, the Arab world's largest bank in asset terms, were expected to vote at a board meeting yesterday for the first time in two years. The Bahrain-based bank is expected to start working out a new strategy after two years of stagnation following the forced resignation in 1994 of its Libyan founder and chief executive, Mr Abdulla Saudi. ABC recently commissioned consultants Arthur Andersen to advise on future strategy.

Libya, Abu Dhabi and Kuwait each hold a 25 per cent stake in ABC, but 13 percentage points of Libya's stake is held in trust with the Bahrain government. ABC, founded in 1980, had profits of $116m last year. Mr Ghazi Abdul Jawad, a Saudi national and previously general manager of Gulf International Bank, will be ABC president and chief executive from February 1. *Robin Allen, Manama*

# Mannesmann misses out on Omnitel stake

**By John Simkins in Milan**

Mannesmann of Germany last night lost the chance to increase its stake in Omnitel Pronto Italia, the Italian cellular telephone company, when Bell Atlantic International of the US exercised its pre-emptive rights on the holding.

The move by Bell Atlantic overrides an agreement made last month under which Olivetti, the troubled Italian information technology company, was to sell Mannesmann 8.26 per cent of Omnitel, Sistemi Radiocellulari (OSR), which owns 70 per cent of Omnitel, for L432.5bn ($283m).

Bell Atlantic already held 16.7 per cent of OSR and by taking up its rights as an existing shareholder it becomes the second biggest partner, after Olivetti, in the cellular phone concern.

Mannesmann, however, remains a partner in the business through a 19.8 per cent stake it holds in Pronto Italia, which is another telecommunications consortium.

Pronto Italia controls 30 per cent of Omnitel, while 70 per cent is in the hands of OSR.

Olivetti made the original deal with Mannesmann as part of its plan to sell L800bn of assets by the end of this year in order to cut debt. Central to the programme is the sale of its loss-making personal computers business but no buyer has yet been found.

Olivetti said that the sale of the OSR stake in Omnitel to Bell Atlantic would go ahead on the same basis as had been agreed with Mannesmann.

It said L404bn of the total sale price would be paid by the end of the year; settlement of half of the remainder will be made next year and the other half, plus interest, in 2001.

After the sale Olivetti will remain the leading shareholder in OSR with 50.74 per cent.

The sale of the stake aroused controversy among some of Olivetti's institutional shareholders, which said they had invested in Olivetti because of its involvement in the telecoms sector.

Besides Olivetti and Bell Atlantic, the other partners in OSR are Cellular Communications International of the US with nearly 15 per cent and Telia of Sweden, which has a stake of nearly 10 per cent.

Mr Thomas Bartlett, president of Bell Atlantic International Wireless, said: "We are excited about the opportunity to take an even greater ownership interest in Omnitel, a business with so much growth potential."

The leading partner in the Pronto Italia consortium is AirTouch which controls 51.5 per cent.

# Svenska Handelsbanken in Skandia share probe

**By Greg McIvor in Stockholm**

Sweden's Financial Supervisory Authority is to launch an investigation into trading by Svenska Handelsbanken, the country's leading bank, in Skandia shares after the insurer's bid for Stadshypotek, the mortgage bank.

Handelsbanken, which is headed by Mr Arne Martensson, last week made a rival SKr22.9bn ($3.36bn) offer for Stadshypotek. It was the biggest net seller of Skandia shares on the Stockholm bourse in a 19-day period after Skandia's all-share offer and preceding its own offer.

Skandia's shares have fallen more than 8 per cent since the insurance company launched its bid.

Mr Hans Schedin, Financial Supervisory Authority chief legal counsel, said suggestions about the motives for Handelsbanken's trade in Skandia had been circulating in the market.

He said attempting to influence a rival company's shares was not illegal under Swedish law, but would become so next year.

Under current rules, a company found guilty of improper activity could face a variety of sanctions, including a warning or ultimate withdrawal of its operating licence, although Mr Schedin stressed this was seldom invoked.

Arne Martensson: his bank was big net seller before bid

# TRW and Magna plan link-up on car interiors

**By Haig Simonian in London and Sarah Althaus in Frankfurt**

TRW and Magna, two of the world's biggest car component companies, yesterday announced a strategic alliance in occupant restraint products, such as airbags, in reaction to growing concentration among motor industry suppliers.

TRW is one of the leading makers of airbags and seat belts, while Magna has a growing presence in seats and interiors.

By working together, the two companies hope to offer carmakers a single source for interiors, including restraint systems, seats and fascias.

The alliance stops well short of a merger along the lines agreed last October between Autoliv of Sweden and Morton of the US, which are uniting their activities to form the world's biggest occupant restraint supplier.

Mr Peter Hellman, TRW chief operating officer, said the deal was a "one off" and did not mark the start of a wider link with Magna.

He said TRW and Magna had been in talks well before the Autoliv-Morton merger.

As a first step, TRW and Magna are setting up a joint technical centre in Germany to work on integrated safety systems and car interiors and develop new components.

TRW will head the development side for occupant restraint systems, such as airbags and seat belts, while Magna will concentrate on interiors and car body systems.

The only immediate financial impact will be in Germany, where TRW and Magna have significant subsidiaries.

Magna will buy out third parties in MST Automotive and Temic Bayern-Chemie Airbag, two companies making airbag products and steering wheels.

After gaining control, Magna will sell 80 per cent of the equity to TRW for DM650m ($416.6m), subject to adjustment and government approval.

MST and TBCA, which together employ about 2,500 people, are expected to have sales of DM1.07bn this year.

Mr Joseph Gorman, TRW chairman, said: "It is a ideal fit – we are relatively weak in Europe, while Magna is strong, and we are strong in areas where Magna is weak."

The joint technical centre "promises to deliver significant benefits by incorporating some of the best engineering and technology available globally."

Mr Don Walker, Magna chief executive, said: "Customers will benefit from the joint support of the alliance's global engineering, manufacturing and distribution organisation, regardless of where the world's major automakers assemble their vehicles."

According to Mr Hellman, the deal would not affect TRW's earnings in 1997, but was expected to be "accretive to TRW" in 1998.

## INTERNATIONAL NEWS DIGEST

### Conseco to buy Pioneer Financial

Conseco, the acquisitive US life assurance group, is paying $417m to buy Pioneer Financial Services in a stock swap. Pioneer, based in Illinois, is the 22nd life company to be bought by Indiana-based Conseco, and the sixth in the past four months. Its total spending on acquisitions in that period, including money for retiring debt, is now slightly more than $2.8bn.

The deal is intended to consolidate Conseco's position in health insurance supplementing state Medicare cover, and in retirement annuities – both sectors it believes will expand as a result of demographic factors.

Pioneer, with total assets of $1.3bn, will also strengthen Conseco's distribution, with 90,000 agents – doubling Conseco's total sales force. According to Mr Stephen Hilbert, Conseco chief executive, this will give the company the largest US distribution organisation in its selected products.

Holders of Pioneer common stock will receive a fraction of a share of Conseco stock valuing the company at between $25 and $28 a share, depending on Conseco's performance in the 10 days before the closing of the purchase, which is expected within six months.

Wall Street welcomed the deal. Pioneer's shares were up sharply, rising $5¾ to $24¾. Conseco shares were up $1¾ to $61¾. Before its August acquisitions, the shares had been trading at $42. *John Authers, New York*

### Placer Dome threatens on bid

Placer Dome, the world's fifth-biggest gold producer, yesterday threatened to withdraw a A$0.75-a-share offer for all the shares it does not already hold in Highlands Gold, owner of 25 per cent of the Porgera gold mine in Papua New Guinea. Placer owns 50 per cent of Porgera and manages the mine.

Placer rejected Highlands' allegations that it had withheld exploration information about Porgera and that the bid was too low. If Highlands took the issue to court, Placer said, the offer would be withdrawn. Placer already owns 33 per cent of publicly-traded Highlands.

Concurrently, Placer sought control of the minority shares of Placer Pacific, which also owns 25 per cent of Porgera. The two offers together were worth US$600m, and success would mean that Placer would gain full ownership of Porgera and its annual output of about 450,000 ounces.

*Robert Gibbens, Montreal*

### KLM buy-back benefits state

The Dutch government is to receive Fl 976.5m ($562.7m) as a result of a buy-back by KLM of state-owned shares in the airline. The two yesterday announced that the price per share in the deal agreed earlier this month would be Fl 46.281.

This reflected the volume weighted average which KLM stock had fetched in the market over the previous four trading days, less a 2.5 per cent discount. The shares closed 30 cents higher on the news at Fl 47.20.

The transaction, which includes a Fl 176.3m payment to the state for a restructuring of its preference share entitlements, is due to be completed by next June. The government retains 25 per cent of KLM's ordinary shares.
*Gordon Cramb, Amsterdam*

### Westinghouse unit sold

Western Resources said it agreed to buy Westinghouse Electric Corp's monitored security services business for $368m in cash. The Westinghouse unit has 300,000 accounts in 44 states, making it the fourth-largest provider of electronically monitored security services in the US. *Reuter, New York*

### Safeway acquires Vons chain

Safeway, the US supermarket chain, is to take over Vons in a deal valuing the southern Californian supermarket chain at about $1.56bn. Safeway, which holds about 35 per cent of Vons, will issue 1.425 common shares for each Vons common share it does not already own and will assume about $550m in Vons debt. The combined company will be the second largest grocery store chain in North America, with 1,377 stores and sales of more than $22bn. *AP-DJ, California*

### Repsol in Peruvian gas buy

Repsol, the Spanish oil group, has bought control of the leading bottled gas company in Peru. It said it was paying $39m for a 60 per cent stake in Solgas, and planned to spend more than $200m on marketing its products in Peru and developing the liquefied petroleum gas business.

It also said it would take part in a $117m programme to upgrade facilities at the La Pampilla oil refinery near Lima. A Repsol-led consortium, including YPF of Argentina and Mobil, bought a controlling stake in the refinery in June for $180.5m.

The Spanish group said its move was designed to consolidate its position in Peru as an integrated company ranging from exploration to household gas and including a network of petrol stations which it was building up with the aim of capturing about 15 per cent of the market.

Solgas, privatised four years ago, controls about 40 per cent of the local market for butane and propane – a sector in which Repsol's Butano offshoot is the leading European company. *David White, Madrid*

مكتبة من الأصل

**COMPANIES AND FINANCE: UK**

£172m approach described as opportunistic and unwelcome

# Newman Tonks rejects FKI offer

By Tim Burt

Newman Tonks, Europe's largest architectural hardware company, yesterday said it had rejected a £172m ($282m) takeover offer from FKI, the acquisitive UK engineering group.

The Midlands-based group, a leading manufacturer of door handles, locks and hinges, described FKI's 134p-a-share cash offer as opportunistic and unwelcome.

Shares in the company, which has been hit by sluggish demand from the construction industry this year, rose 27p to 129½p – valuing it at almost £166m.

It was yesterday said to be preparing a bid defence against a possible hostile offer from FKI, which has spent £260m on acquisitions in the past six months.

The move follows the collapse of talks at the weekend aimed at persuading Newman Tonks to recommend FKI's offer to shareholders.

"They have made a highly opportunistic approach," said Mr Geoff Gahan, Newman Tonks chief executive. "They indicated that 134p-a-share was not the best price they could offer, but then refused to say how much they would be prepared to pay." He hinted that "other parties" were contemplating possible offers to trump FKI's approach.

Analysts estimated that FKI might have to spend more than £200m, including debt, to take the company.

Senior FKI directors spent most of the day in talks with corporate financiers at Barings considering whether to increase the offer in the hope of a recommendation or launch a contested bid.

Neither the company or Barings – appointed to handle the deal over the head of FKI's normal advisers NM Rothschild – would comment last night.

At the time of its interim results three weeks ago, FKI suggested it could use £318m of borrowing facilities to fund acquisitions.

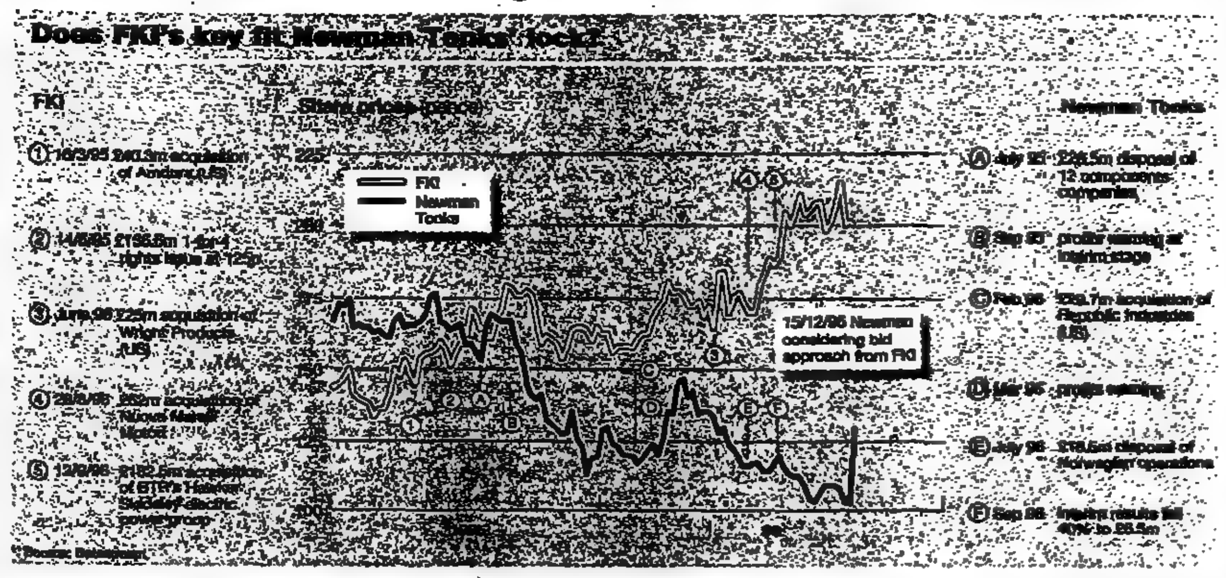
Yesterday, however, some analysts claimed it would need to embark on a capital-raising exercise to avoid straining its balance sheet.

By taking over Newman Tonks, FKI would greatly strengthen its hardware division, which contributed £25.1m to operating profits of £53.4m in the first half.

Underlying interim profits at the Midlands-based group, by comparison, fell from £9m to £7.4m following weak demand from the UK building sector.

Analysts, however, expect profits next year to climb from about £17m to about £21m on the back of overseas growth.

Mr Gahan said the company would be meeting its institutional shareholders shortly to seek their support in rejecting FKI's initial approach.



# Bass in $640m sale of US hotels

By Scheherazade Daneshkhu

Bass is to dispose of most of its Holiday Inns in North America in a cash and equity deal worth $640m.

The UK-based brewer and hotels company is to take a 36 per cent stake in Dallas-based Bristol Hotel Company, the buyer, and will receive $391m in cash for 61 Holiday Inn hotels it owns or manages. The hotels have a book value of [illegible].

Sir Ian Prosser, Bass chairman, said that it was taking a stake in Bristol because of the company's expertise in redeveloping older, full service Holiday Inn hotels.

He said Bass intended to retain the stake, but had no plans to increase it. Bass will appoint two directors to the board of Bristol.

Bristol will convert 10 of its existing 39 hotels to the Holiday Inn brand, which will result in 84 of its 100 hotels being branded Holiday Inn or Crowne Plaza. It is committed to maintaining a portfolio of 85 per cent Holiday Inn by number of rooms.

The 61 hotels – 47 of which were fully owned and 14 under management contract – generated profits of $69m in the financial year to September 30.

Bass said the cash proceeds would reduce its debt and reduce gearing to 20 per cent.

The transaction is due to be completed in the second quarter of next year.

Bristol will spend $150m over the next three years on upgrading the hotels.

Mr Peter Kline, president and chief executive officer, of Bristol said the deal more than doubled the company's size and increased its competitiveness.

The hotels being acquired had an average occupancy rate of 72.9 per cent and an average daily room rate of $73.82 against industry averages of 65.6 per cent and $70.71, respectively.

# Insurance groups merge in £300m deal

By Christopher Adams, Insurance Correspondent

The pace of consolidation in the global insurance industry accelerated yesterday as British-based brokers Lloyd Thompson and JIB Group unveiled a £300m ($492m) merger, creating a group strong in the Asian and London markets.

The business mix means Lloyd Thompson will benefit from JIB's presence in Asia and gain a foothold in continental Europe. There will also be scope for cost savings in the London market operations.

Mr Ken Carter, chief executive of Lloyd Thompson, said the merger had been two years in the making. Both sides were reluctant to go ahead until JIB sold its US retail business, which it did earlier this year, and the Lloyd's of London recovery plan was completed, providing future stability for Lloyd Thompson.

Shares in JIB jumped 21p to 180p, reflecting the value placed on it by Lloyd Thompson's offer. Lloyd Thompson shares were up 1½p to 174p.

Under the terms of the deal, Lloyd Thompson is making an agreed bid valuing JIB at £173m. Shareholders in JIB will receive four new Lloyd Thompson shares for every five held in JIB and will own 57 per cent of the new group. The deal dilutes the 60 per cent stake held by Hong Kong-based conglomerate Jardine Matheson in JIB to 34 per cent in the merged company.

The deal between Lloyd Thompson and JIB gives scope for rationalising their combined London market operations. But analysts said there was little overlap and the more important reason for the deal was income growth.

The enlarged group, to be called Jardine Lloyd Thompson, would have earned brokerage of £220m over the year to end June compared with Lloyd Thompson's £48m.

# ASW in recycling disposal

By Peter Marsh

Shares in ASW rose 18 per cent yesterday after the financially troubled steelmaker announced the £33m ($54m) cash sale of its metals recycling division in an effort to reduce debt.

The buyer is Philip Environmental, a Canadian industrial services company.

It also announced that 200 more jobs would go in its manufacturing operations in the UK and France, giving an employee count by next summer of 2,600, 1,000 less than a year before.

Mr Alain Soulas, chief executive, said the disposal and cost-cutting measures put the company in a "completely competitive" position. But he warned that the Cardiff-based company was continuing to suffer from the European-wide weakness in the construction business which takes 85 per cent of its output.

"We are feeling the effects of oversupply and underconsumption," he said.

The 4½p rise in the shares to 38p reflected investor relief that the deal would reduce ASW's borrowings, which at June 30 were £130m, with gearing of 80 per cent. Mr Soulas said the proceeds would reduce borrowings to about £100m.

ASW will continue to buy recycled steel for its core steel-mesh operations from Philip.

# Granada to expand Méridien

Charles Allen: Méridien to have a single brand image

By Scheherazade Daneshkhu and David Blackwell

Granada Group, which originally planned to sell the Méridien hotel chain during its £3.9bn hostile takeover of Forte a year ago, now plans to double the number of rooms to 50,000 by 2000.

Mr Charles Allen, chief executive of the TV and leisure company, said that would be achieved by seeking management contracts. Granada planned to sell the assets of the 25 Méridien hotels it owns during the next five years. It has contracts at 52 others.

Mr Allen said owners would be offered packages of services, including restaurant concepts and health facilities.

Mr Alfonso Giannuzzi, managing director of international hotels, said Méridien would be developed as a single brand with a European flavour, with the Méridien in London's Piccadilly as the flagship.

Méridien had not lost any management contracts as a result of the takeover, he said, and in the past year it had added 2,781 rooms from new signings and 1,358 rooms from extending existing contracts.

Priority areas for expansion included south-east Asia and the Americas, while a presence would be sought in eastern Europe, South Africa, China and India.

It is unlikely that there will be further sales of its Exclusive hotels before Christmas.

Granada has raised £190m from the sale of two of the 17 Exclusives – which have a total book value of £801m.

Unless the Grosvenor House in London attracted the right price, reflecting the potential for profits of up to £40m a year, it would not be sold, Mr Allen said. It made £20m (£13m) in the year to September. The 453-room Grosvenor House has a book value of £302m and accounts for almost 40 per cent of the Exclusive portfolio.

Meanwhile, the Brunei Investment Agency has denied that it is bidding for the Grosvenor House through Audley Group, a company that it created earlier this year to make luxury hotel acquisitions.

"The Sultan of Brunei's father used to enjoy staying there, but that's as far as it goes," said an official.

# Lloyds Chemists pressures suitors

By Peggy Hollinger

Lloyds Chemists, the pharmacy group at the centre of a £630m-plus ($1.03bn) bid battle, yesterday sought to put pressure on rival suitors Gehe of Germany and UniChem by urging shareholders to hold out for a higher offer.

The company said this should be possible, given "the statements made by each offeror as to the strategic importance of Lloyds Chemists to each of them". Both drugs distributors have until January 17 to increase their bids.

However, Gehe, which is offering 500p a share in cash, said shareholders should accept its bid "without delay".

The company argued that its cash had become increasingly attractive in recent weeks as a result of several factors: evidence of a continuing squeeze on pharmacy margins from lower NHS reimbursement fees; the volatile stock market which made the value of UniChem's shares uncertain; and finally increased speculation over rising interest rates.

UniChem rejected Gehe's claims, saying that if the German company was truly worried about the UK pharmacy market it would not be bidding for Lloyds.

# CalEnergy attacks Northern's 'misleading' bid valuation

By Simon Holberton

CalEnergy, the US company making a £782m ($1.28bn) hostile offer for Northern Electric, yesterday claimed the Newcastle-based electricity company had made "misleading and incorrect" statements concerning the value of CalEnergy's bid.

The US independent power producer said its bid for Northern represented a higher cash flow multiple than Dominion Resources' bid for East Midlands.

This countered Northern's claim that CalEnergy's offer was mean by comparison with other bids in the sector. It had calculated that CalEnergy's bid represented a multiple of 5.9 times forecast cash flow – profits before interest, tax and depreciation – for the year to March 1997.

However, CalEnergy said yesterday that its bid represented a multiple of 6.3 times 1997-98 forecast cash flow, compared with Dominion's bid for East Midlands at 6.2 times.

However, this was disputed by one sector analyst. He said CalEnergy's bid represented a 1996 cash flow multiple of 6 times, compared with 6.6 times for Dominion's offer for East Midlands.

This dispute about valuation underlines the tension surrounding the outcome of the bid, which ends at 1pm on Friday.

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Dividends: Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Burndene | Yr to Sept 28 | 85.5 | (86.9) | 8.06 | (3.7) | 3.81 | (2.47) | 1.25 | Feb 14 | 1.175 | 2 | 1.925 |
| Crest Packaging | 6 mths to Oct 26 | 24.7 | (22.7) | 2.15 | (1.43) | 4 | (2.7) | 1.375 | Mar 21 | 1.375 | - | 4.125 |
| Gibbs Mew | 24 wks to Sept 14 | 20.3 | (21.2) | 0.984♠ | (2.52) | 3.25 | (14.39) | 4 | Apr 7 | 4 | - | 10 |
| Howden | 6 mths to Oct 31 | 212.9 | (211.8) | 11.1 | (11) | 2.4 | (2.6) | 1 | May 1 | 0.95 | - | 2.9 |
| Hunters Armley | Yr to Sept 30 | 54.3 | (49.8) | 1.83♠ | (4.07) | 4.65 | (10.51) | 3 | Feb 21 | 3 | 4.5 | 4.5 |
| Jasmin♦ | 6 mths to Sept 30 | 3.45 | (3.01) | 0.052 | (0.153) | 1.28 | (3.75) | - | - | - | - | - |
| MFI Furniture | 28 wks to Nov 9 | 440.5 | (380.6) | 32.7♠ | (20.1) | 3.85† | (2.37) | 1.7 | Feb 7 | 1.6 | - | 4.4 |
| Prior | 6 mths to Sept 30 | 1.55 | (1.55) | 0.338♠ | (0.367) | 3.57 | (4.86) | 2 | Jan 24 | 2 | - | 5 |
| Prism Rail♦ | 6½ mths to Aug 17☆ | 10.7 | (-) | 0.336L♠ | (0.358L♠) | 6.78L | (16.12L) | - | - | - | - | - |
| Prism Rail♦ | 8½ mths to Oct 12 | 33 | (-) | 0.549L♠ | (-) | 8.78L | (-) | - | - | - | - | - |
| Raphael Zorn♦ | Yr to Sept 30 | 5.88 | (4.71) | 0.746♠ | (0.235) | 4.3 | (1.8) | 2 | - | 1.25 | - | - |
| Systems Integrated♦ | 6 mths to Nov 30 | 0.507 | (1.25) | 1.19L♠ | (0.642L) | 9.1L† | (5.8L) | - | - | - | - | - |
| W'chester Multi♦ | 6 mths to Sept 30 | 0.57 | (1.09) | 0.533L | (0.184L) | 4.8L† | (2L) | - | - | - | - | - |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bankers | Yr to Oct 31 ★ | 224.2 | (200.4) | 8.97 | (7.73) | 5.78 | (4.98) | 1.27 | Feb 28 | 1.13 | 4.58 | 4.22 |
| Dunedin Worldwide | Yr to Oct 31 | 950.4 | (877.3) | 4.19 | (3.84) | 12.51 | (11.48) | 9.1‡ | Jan 31 | 7.1 | 11.5‡ | 9.5 |
| Henderson H'land | 9 mths to Nov 30 | - | (-) | - | (-) | - | (-) | 1.55# | Feb 28 | 1.5 | - | [illegible] |
| HS UK Emerging | 8½ mths to Oct 31 | 103 | (95.1♦) | 0.297 | (-) | 1.05 | (-) | 0.95 | Feb 28 | - | 0.95 | - |
| Invesco Recovery | Yr to Oct 31 | 118.2 | (97.9) | 0.734 | (0.726) | 8.9 | (8.8) | 4 | Feb 20 | 4 | 8 | 8 |
| Taverners | 7 mths to Oct 31 | 100.03 | (-) | 0.057 | (-) | 0.36 | (-) | - | - | - | - | - |
| Templeton Emerging | 6 mths to Oct 31 | 132.55 | (-) | 2.87 | (2.72) | 0.6 | (0.66) | - | - | - | - | 1 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. †On increased capital. ♦Aim stock. ☆Comparatives are restated and cover 6¾ months to January 31 1995. ★Comparatives restated. ‡Includes 2p centenary special. #Third interim; makes 4.5p to date. ♦Value at launch.

## INTERNATIONAL CAPITAL MARKETS

# Treasuries slip on production data

GOVERNMENT BONDS

By Lisa Bransten in New York and Samer Iskandar in London

Stronger-than-expected figures on industrial production and capacity utilisation sent US Treasury prices lower in early trading yesterday.

Near midday in New York, the long bond was off ⁸⁄₃₂ at 98²⁴⁄₃₂ to yield 6.596 per cent, while at the short end of the maturity spectrum the two-year note fell ¹⁄₃₂ at 99²⁹⁄₃₂ yielding 5.761 per cent. The March 30-year bond fell by ⁵⁄₃₂ at 113⁵⁄₃₂.

The curve that maps the spread between the yield on two-year notes and the long bond steepened by 2 basis points to 84 basis points.

Bonds were higher very early yesterday, but gave back their early gains after the Federal Reserve said industrial production rose 0.9 per cent last month. Economists had forecast a gain of 0.5 per cent.

The proportion of capacity in use in the production of goods was also higher than expectations at 83.3 per cent.

Economists were divided about the importance of the figures, especially in view of the fact that the Fed's Open Market Committee is meeting today. Ms Marilyn Schaja of Donaldson, Lufkin & Jenrette called them "misleading" because most of the strength was due to a rebound on the heels of the General Motors strike and said they fitted with the idea of gradual growth in the manufacturing sector.

Meanwhile, economists at HSBC James Capel said that the Fed was "likely to note a few signs of strength outside of the car sector, as well as the sharp year-over-year rise in output".

German bunds were dragged down by falling Treasuries in the afternoon, giving up most of their earlier gains. The March bund contract, traded on Liffe, settled at 100.20, up 0.13, after reaching a high of 100.55. It later fell to a low of 100.03 in after-hours trading.

Other European markets had a generally quiet day, with only Italian and Swedish bonds outperforming core Europe, their 10-year yield spreads over bunds tightening by 5 basis points to 167 and 102 basis points respectively.

"This [outperformance by high-yielders] reflects the belief that a euro with a European central bank behind it is a less formidable competitor for funds than the mark with the Bundesbank driving it," said Bridgewater Associates, a US currency and bond management company.

Liffe's March BTP future rose 0.51 to settle at 128.93, while in the cash market the 9½ per cent BTP due 2006 closed 0.61 higher at 113.61.

The Swedish 10-year benchmark bond ended the day at 107.74, up 0.38.

"The market should be in store for some marked convergence in the next few days", said Mr David Brown, chief European economist at Bear Stearns. However, he warned that "longer term, we still think the end is nigh for convergence".

UK gilts started the day on a positive note, rising by up to ½, but shed these gains in the afternoon to end roughly unchanged from Friday. On Liffe, the March long gilt future settled at 109¹⁹⁄₃₂, up ¹⁄₃₂.

"Gilts are subject to dual forces", said Mr Adrian Owens, an economist at Julius Baer Investments in London. "On relative grounds they are attractive, but some firm data are likely to limit progress this week."

● Matif's notional futures contracts maturing in December 1997 and thereafter, the first of which start trading today, will have a price close to 100. This compares with prices of between 124.82 and 128.06 on existing contracts.

This pronounced difference is attributable to a change in the characteristics of the contract announced earlier this year as part of Matif's Emu strategy. The underlying coupon of the new futures will be 5.5 per cent, against 10 per cent on older instruments.

The list of deliverable bonds will also change. As of December 1997, deliverable bonds will have to have maturities of 8.5 to 10.5 years, against 7 to 10 years currently.

The required outstanding amount of deliverable bonds will also increase from FFr5bn to FFr40bn.

Matif is hoping these technical changes will boost the liquidity of its notional contract and increase its chances of becoming the benchmark European product after the move to a single currency in 1999.

# Turkish issues survive downgrade

By Conner Middelmann

Outstanding eurobonds issued by the Republic of Turkey have not suffered significantly as a result of its latest credit rating downgrade.

Standard & Poor's, the US rating agency, on Friday cut Turkey's long-term foreign currency rating to B from B-plus. It now has the same rating as Venezuela, and ranks a notch below Pakistan and Brazil, which are both rated B-plus, and two notches below Russia, Romania and Argentina, which are rated BB-minus.

However, since S&P had announced in July that it was considering downgrading Turkey, "this news had been discounted in the market for some time," said an emerging-markets trader. If anything, he said, the confirmation of the downgrade could be seen as good news as it removed uncertainty overhanging the market.

Traders reported little selling of Turkey's US dollar and D-Mark denominated bonds launched in recent months. "The issues have been pretty firmly placed, and this close to year-end you see very few flows anyway," said one dealer.

According to one dealer, the yield spread on Turkey's three-year dollar bonds, issued this summer at a spread of 210 basis points over Treasuries, now stands at about 250 basis points. However, he said that widening had taken place gradually, rather than as a result of the downgrading.

A five-year D-Mark bond, recently launched at a spread of 280 basis points, now trades at about 310 basis points over German bunds, another trader said.

# Banks seek to set up secondary market for debt

By John Gapper, Banking Editor

A group of seven large banks will this week attempt to gain support from at least 50 others in an effort to establish a thriving secondary market in corporate and sovereign debt, particularly in emerging markets.

The banks have formed a Loan Market Association and are likely to concentrate first on persuading borrowers in eastern Europe and countries such as South Africa to agree to allow their loans to be traded freely among banks.

The establishment of the association, which will attempt to draw up common legal guidelines and settlement methods for the trading of secondary debt, is one of a number of innovations affecting the market in loans to large companies.

One member of the association – led by BZW, Credit Suisse, Fuji Bank, HSBC Investment Bank, J. P. Morgan, NatWest Markets and SBC Warburg – said prices for freely-traded debt might fall as a result of increased liquidity.

They believe that emerging market borrowers, which are eager to find new sources of cash, are more likely to approve secondary trading of their debt than large companies in the UK, France or Germany that rely more on bank relationships.

However, the banks believe they may eventually be able to offer loans more cheaply to companies that agree to have the debt traded in the secondary market. A price differential might help to entice more conservative borrowers.

The banks also hope that the extreme cyclicality in pricing of large corporate loans might be eased by having a secondary market, because pricing will not be so heavily influenced by lending policies of a few dominant banks.

There is an expanding market in credit derivatives, which offer banks opportunities to offset lending risks with other financial instruments. NatWest has also recently launched a $5bn securitisation of large corporate loans.

Among the hurdles faced by the banks is the need to set up a common framework for valuing corporate debt. They intend to prepare benchmark figures to be circulated to members monthly, assisted by the accountants Coopers & Lybrand.

The banks are initially likely to concentrate on smaller, sub-investment grade companies and governments of emerging market countries.

They will also focus on performing debt, rather than the separate distressed debt market.

Although some US banks have led the way in establishing a secondary distressed debt market in Europe, this has become less important to many banks in the euromarkets as European economies have recovered from recession.

Bankers regard one of the potential advantages of a broad secondary market in corporate debt as offering a chance to a large retail bank in one country to reduce its exposure to losses as a result of recession in that country.

# Slovakian bank in $80m offering

INTERNATIONAL BONDS

By Richard Lapper, Capital Markets Editor

Slovenska Sporitelna, Slovakia's second largest bank by asset size, yesterday moved to strengthen its capital base by launching an $80m 10-year subordinated bond.

The paper, the first of its type to be launched by a borrower from the republic, can be counted as tier two capital for regulatory purposes, according to syndicate managers at Merrill Lynch, bookrunners.

Dealers said about 55 per cent of the paper would be sold in Europe, mainly with institutions, about 10 per cent in the United States and about 35 per cent in Asia Pacific.

Unusually, a Taiwanese bank, Hua Nan Commercial Bank, was invited to be a co-manager in the deal, partly to develop Asian distribution. Chase Manhattan was a co-lead manager.

Slovenska has the option to buy back the bond, which is a floating rate note, through a call option, exercisable after five years.

The bank, which is rated Ba1 by Moody's, is raising funds at 125 basis points over Libor for the first five years, with that rate rising to 300 basis points over Libor between 2001 and 2006.

Slovenska, which has just under $6bn in assets, has the largest retail network in Slovakia.

ING Verzekeringen, the insurance arm of ING, the Dutch financial group, raised some Y10bn in Asian markets, with an unlisted public deal.

Paribas Capital Markets was bookrunner on the deal, which is understood to be the second to be issued in ING Verzekeringen's euro-medium term note programme launched last month.

The pricing structure of the bond – a four-year floating rate note – was relatively unusual.

Priced at 104.85 the bond will be redeemed at par, creating a capital loss for the investor. To compensate the bond will pay a relatively high coupon of 100 basis points over Japanese Libor.

Dealers not connected to the deal described the structure as a "high high floater" and said that it could be attractive to Japanese money market funds.

ING Verzekeringen, which has an AA- credit rating from Standard & Poor's, will use the funds for "general corporate purposes", according to syndicate managers.

Petrobras, the Brazilian state oil group, raised Sch1.25bn with an eight-year deal, mainly targeted at European retail buyers.

## New international bond issues

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Slovenska Sporitelna(a)‡ | 80 | (a1) | 100.00 | Dec 2006 | 0.75 | - | Merrill Lynch Intl |
| **YEN** | | | | | | | |
| ING Verzekeringen*‡ | 10bn | (b) | 104.85 | Dec 2000 | none | - | Paribas Capital Markets |
| **AUSTRIAN SCHILLINGS** | | | | | | | |
| Petrobras | 1.25bn | 9.00 | 99.875R | Dec 2004 | 0.625R | +320(7¼%-05) | Creditanstalt Inv Bank |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Callable from Dec 01 at par. a1) 3-mth Libor +125bp to Dec 01, then +300bp. b) 3-mth Libor +100bp.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 6.750 | 11/06 | 95.9560 | +0.610 | 7.33 | 7.34 | 7.27 |
| Austria | | 5.875 | 07/06 | 99.5800 | +0.060 | 5.93 | 5.85 | 6.04 |
| Belgium | | 7.000 | 05/06 | 107.2500 | +0.200 | 5.98 | 5.90 | 6.06 |
| Canada * | | 7.000 | 12/06 | 103.2000 | -0.400 | 6.55 | 6.33 | 6.21 |
| Denmark | | 8.000 | 03/06 | 108.7000 | +0.340 | 6.70 | 6.67 | 6.87 |
| France | BTAN | 5.500 | 10/01 | 103.3161 | +0.360 | 4.72 | 4.65 | 4.86 |
| | OAT | 6.500 | 10/06 | 105.1200 | +0.100 | 5.81 | 5.73 | 5.90 |
| Germany Bund | | 6.250 | 04/06 | 102.6900 | +0.060 | 5.86 | 5.77 | 5.93 |
| Ireland | | 8.000 | 08/06 | 108.7300 | +0.650 | 6.73 | 6.74 | 6.93 |
| Italy | | 9.500 | 02/06 | 113.6100 | +0.610 | 7.42† | 7.44 | 7.86 |
| Japan | No 143 | 6.300 | 09/01 | 121.7571 | +0.180 | 1.42 | 1.41 | 1.37 |
| | No 182 | 3.000 | 09/05 | 104.1143 | +0.180 | 2.43 | 2.42 | 2.44 |
| Netherlands | | 8.500 | 06/06 | 119.1600 | +0.310 | 5.80 | 5.76 | 5.89 |
| Portugal | | 9.500 | 02/06 | 117.3800 | +0.430 | 6.89 | 6.97 | 7.43 |
| Spain | | 8.800 | 04/06 | 112.1200 | -0.180 | 6.97 | 7.00 | 7.62 |
| Sweden | | 8.000 | 08/07 | 107.7413 | +0.380 | 6.94 | 6.79 | 7.29 |
| UK Gilts | | 8.000 | 12/00 | 102-26 | -1/32 | 7.17 | 7.11 | 7.13 |
| | | 7.500 | 12/06 | 99-04 | -2/32 | 7.63 | 7.57 | 7.02 |
| | | 9.000 | 10/08 | 109-31 | +1/32 | 7.70 | 7.64 | 7.74 |
| US Treasury * | | 6.500 | 10/06 | 101-05 | +1/32 | 6.34 | 6.20 | 6.27 |
| | | 6.500 | 11/26 | 98-23 | -2/32 | 6.60 | 6.47 | 6.58 |
| ECU (French Govt) | | 7.000 | 04/06 | 105.7700 | +0.270 | 6.16 | 6.07 | 6.30 |

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

| Latest | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| | | One month | - | Two year | 5.79 |
| Prime rate | 8¼ | Two month | - | Three year | 5.90 |
| Broker loan rate | 7 | Three month | 4.90 | Five year | 6.07 |
| Fed funds | 5¼ | Six month | 5.19 | 10-year | 6.33 |
| Fed funds at intervention | - | One year | 5.44 | 30-year | 6.59 |

### BOND FUTURES AND OPTIONS

**France**

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 128.46 | 128.86 | +0.66 | 128.76 | 128.26 | 44,111 | 60,309 |
| Mar | 128.42 | 128.48 | +0.42 | 128.94 | 127.40 | 128,318 | 118,215 |
| Jun | 127.40 | 127.22 | +0.40 | 127.52 | 126.20 | 77 | 8,233 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Jan | Calls Feb | Calls Mar | Puts Jan | Puts Feb | Puts Mar |
|---|---|---|---|---|---|---|
| 126 | 2.13 | - | 2.64 | 0.07 | 0.30 | 0.50 |
| 127 | 1.23 | - | 1.93 | 0.17 | 0.64 | 0.87 |
| 128 | 0.54 | 1.07 | 1.33 | 0.48 | 1.01 | 1.27 |
| 129 | 0.17 | 0.61 | 0.86 | 1.11 | 1.54 | 1.79 |
| 130 | 0.05 | 0.31 | 0.51 | 1.99 | 2.24 | 2.44 |

Est. vol. total, Calls 22,793 Puts 15,154. Previous day's open int., Calls 149,845 Puts 147,094.

**Germany**

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 100.22 | 100.20 | +0.13 | 100.55 | 100.03 | 114067 | 222100 |
| Jun | - | 99.31 | +0.13 | - | - | 0 | 182 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Jan | Calls Feb | Calls Mar | Calls Jun | Puts Jan | Puts Feb | Puts Mar | Puts Jun |
|---|---|---|---|---|---|---|---|---|
| 10000 | 0.42 | 0.85 | 1.11 | 1.16 | 0.22 | 0.65 | 0.91 | 1.87 |
| 10050 | 0.18 | 0.59 | 0.85 | 0.96 | 0.48 | 0.89 | 1.15 | 2.17 |
| 10100 | 0.06 | 0.40 | 0.63 | 0.76 | 0.86 | 1.20 | 1.43 | 2.48 |

Est. vol. total, Calls 19250 Puts 13689. Previous day's open int., Calls 199692 Puts 176270

**Italy**

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 128.50 | 128.93 | +0.51 | 129.41 | 128.50 | 43145 | 85943 |
| Jun | 128.61 | 128.47 | +0.50 | 128.61 | 128.61 | 50 | 1270 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Mar | Calls Jun | Puts Mar | Puts Jun |
|---|---|---|---|---|
| 12850 | 2.11 | 2.77 | 1.68 | 2.60 |
| 12900 | 1.84 | 2.58 | 1.91 | 3.06 |
| 12950 | 1.60 | 2.31 | 2.17 | 3.34 |

Est. vol. total, Calls 9189 Puts 4377. Previous day's open int., Calls 100840 Puts 71856

**Spain**

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 112.25 | 112.16 | -0.12 | 112.73 | 112.10 | 71,811 | 28,716 |
| Mar | 111.65 | 111.61 | -0.21 | 112.31 | 111.50 | 47,517 | 80,819 |

**UK**

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 110-04 | 109-26 | +0-02 | 110-06 | 109-25 | 267 | 4765 |
| Mar | 109-03 | 109-02 | +0-01 | 109-19 | 108-29 | 28457 | 137565 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Jan | Calls Feb | Calls Mar | Calls Apr | Puts Jan | Puts Feb | Puts Mar | Puts Apr |
|---|---|---|---|---|---|---|---|---|
| 109 | 0-30 | 1-12 | 1-34 | 2-00 | 0-26 | 1-08 | 1-30 | 2-40 |
| 110 | 0-09 | 0-45 | 1-04 | 1-35 | 1-05 | 1-44 | 2-00 | 3-14 |
| 111 | 0-01 | 0-26 | 0-45 | 1-16 | 1-61 | 2-24 | 2-41 | 3-58 |

Est. vol. total, Calls 1354 Puts 2365. Previous day's open int., Calls 36825 Puts 25534

**Ecu**

■ ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 95.54 | 95.86 | +0.60 | 95.92 | 95.54 | 1,732 | 2,344 |
| Mar | 95.14 | 95.18 | +0.62 | 95.20 | 95.06 | 3,844 | 5,075 |

**US**

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 113-24 | 113-12 | -0-07 | 113-30 | 113-12 | 11,158 | 56,479 |
| Mar | 113-14 | 113-01 | -0-07 | 113-31 | 112-31 | 402,092 | 419,511 |
| Jun | 113-01 | 112-27 | - | 113-01 | 112-16 | 393 | 16,013 |

**Japan**

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 125.30 | - | - | 125.33 | 125.20 | 873 | n/a |
| Jun | 123.95 | - | - | 123.95 | 123.86 | 65 | n/a |

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

### FTSE Actuaries Govt. Securities — UK Indices

| Price Indices UK Gilts | Mon Dec 16 | Day's change % | Fri Dec 13 | Accrued interest | xd adj. ytd |
|---|---|---|---|---|---|
| 1 Up to 5 years (21) | 120.86 | 0.01 | 120.84 | 2.34 | 9.44 |
| 2 5-15 years (19) | 148.22 | 0.08 | 148.10 | 2.07 | 11.66 |
| 3 Over 15 years (7) | 167.60 | 0.08 | 167.70 | 3.41 | 11.65 |
| 4 Irredeemables (6) | 192.12 | 1.13 | 189.98 | 1.67 | 13.47 |
| 5 All stocks (53) | 143.37 | 0.05 | 143.29 | 2.46 | 10.97 |

| | Low coupon yield Dec 16 | Dec 13 | Yr. ago | Medium coupon yield Dec 16 | Dec 13 | Yr. ago | High coupon yield Dec 16 | Dec 13 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|
| 5 yrs | 7.28 | 7.27 | 6.67 | 7.53 | 7.52 | 6.69 | 7.39 | 7.38 | 6.66 |
| 15 yrs | 7.76 | 7.76 | 7.66 | 7.75 | 7.76 | 7.69 | 7.80 | 7.77 | 7.74 |
| 20 yrs | 7.82 | 7.86 | 7.72 | 7.79 | 7.79 | 7.74 | 7.70 | 7.79 | 7.80 |
| Irred.† | 7.86 | 7.94 | 7.88 | | | | | | |

| Index-linked | Mon Dec 16 | Day's change % | Fri Dec 13 | Accrued interest | xd adj. ytd |
|---|---|---|---|---|---|
| 6 Up to 5 years (2) | 203.04 | 0.09 | 202.86 | 1.24 | 5.26 |
| 7 Over 5 years (10) | 194.95 | 0.17 | 194.65 | 1.60 | 4.71 |
| 8 All stocks (12) | 194.77 | 0.16 | 194.46 | 1.56 | 4.69 |

| | Inflation 5% Dec 16 | Dec 13 | Yr. ago | Inflation 10% Dec 16 | Dec 13 | Yr. ago |
|---|---|---|---|---|---|---|
| Up to 5 yrs | 3.17 | 3.19 | 2.51 | 2.45 | 2.46 | 1.26 |
| Over 5 yrs | 3.55 | 3.56 | 3.82 | 3.35 | 3.34 | 3.30 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT Fixed Interest Indices

| | Dec 16 | Dec 13 | Dec 12 | Dec 11 | Dec 10 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 94.04 | 93.71 | 93.73 | 94.08 | 94.50 | 95.93 | 96.34 | 91.59 |
| Fixed interest | 116.30 | 115.94 | 116.53 | 116.41 | 116.54 | 114.96 | 117.82 | 110.74 |

### Gilt Edged Activity Indices

| | Dec 13 | Dec 12 | Dec 11 | Dec 10 | Dec 9 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 84.5 | 71.6 | 78.7 | 83.0 | 92.0 |
| 5-day average | 82.1 | 83.9 | 90.2 | 92.0 | 93.8 |

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

### FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on December 16

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| [illegible] | | | | | |

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

### UK GILTS PRICES

| Notes | Yield (1) | Yield (2) | Price £ | +or- | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|
| [illegible] | | | | | | |

### Other Fixed Interest

| | Notes | Yield Int | Yield Red | Price £ | +or- | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

Banks seek to set up seconda market for de

## CURRENCIES AND MONEY

# D-Mark falls further after stability pact deal

**MARKETS REPORT**

By Simon Kuper

The D-Mark continued its descent yesterday in the wake of Friday's deal on a stability pact for European monetary union. Traders believe the pact makes it more likely that Emu will take place, and thus that the D-Mark will merge with traditionally weaker currencies into the euro.

However, the D-Mark's fall was modest, and followed a slight softening on Friday night when the pact was first agreed. Currency strategists said the market had been relatively quiet yesterday because the pact did little to clarify whether the euro would be hard or soft, and whether Emu was now more or less likely to include a large number of countries. Mr Paul Meggyesi, senior currency economist at Deutsche Morgan Grenfell in London, said: "There are still huge question marks." Trading was thin in the run-up to the Christmas holidays.

The fall in the German Ifo index of business confidence for November barely affected the D-Mark. Strategists said that since it was the first fall in the index for months, the German economic recovery still seemed secure.

The dollar closed in London at DM1.554 to the German currency, 0.8 pfennigs up on Friday's London close and about 0.4 pfennigs up on its level in US trading late on Friday after the stability pact was announced. But the D-Mark rose slightly against the Swiss franc to SFr0.854.

The dollar firmed against most European currencies, as traders expected future Emu members to keep interest rates lower over the medium to long term, now that the pact had reduced their scope to stimulate their economies by fiscal means. The US currency closed 2 centimes higher against the French franc at FFr5.242.

Sterling rose with the dollar against the D-Mark, and is now approaching the levels from which it plummeted at the start of this month.

The pound closed 1.8 pfennigs up on Friday's London close, at DM2.582 to the D-Mark, and 0.4 cents stronger against the dollar at $1.662. It finished the day at 93.7 per cent of its 1990 value against a trade weighted basket of currencies, up from 93.2 at Friday's London close.

The dollar also rose against the yen, although traders largely ignored the strong US industrial production figures for November. One reason cited for the yen's fall was Japanese buying of call options on the dollar. The options will pay out if the yen falls below Y115 or Y120 to the US currency. The purchases had forced traders to buy dollars on the spot market to cover the options. The dollar rose Y0.2 to Y114.

■ Mr Jim O'Neill, chief currency economist at Goldman Sachs in London, rejects the common view that the stability pact should help the dollar. The market, he said, was being "reasonably rational" in sending the dollar little higher on news of the pact.

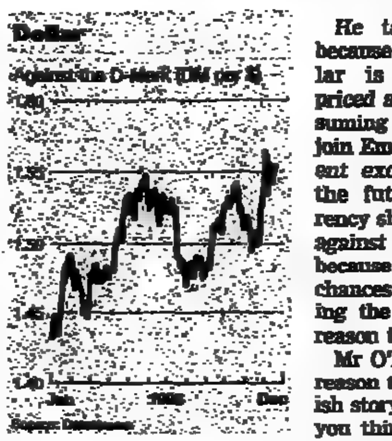
He takes this position because he believes the dollar is already correctly priced against the euro, presuming the currencies that join Emu enter at their present exchange rates. Since the future European currency should retain its value against the dollar, then just because the pact raises the chances of the euro replacing the D-Mark, that is no reason to buy dollars.

Mr O'Neill said: "The only reason to make a dollar-bullish story out of the pact is if you think European central banks are now more likely to lower interest rates. And if the Bundesbank doesn't ease early next year, the market may get pretty disappointed about the dollar."

■ Mr Michael Roeskau, deputy director general at the German finance ministry, said yesterday that the current dollar/D-Mark level of about DM1.55 was "a parity which can be defended on the financial markets".

His comment – if supported by senior Bundesbank officials – could suggest that Germany will reject French attempts to weaken the D-Mark and the French franc against the dollar. Most French politicians believe devaluation would stimulate their country's economy. Mr Alain Juppe, French prime minister, has pledged to raise the issue of what he called the dollar's strength with G7 countries.

The dollar had long stayed within a band of DM1.50-1.55 against the D-Mark, but this month it has penetrated the top of that band.



■ **Pound in New York**

| Dec 16 | —Latest— | — Prev. close — |
|---|---|---|
| £ spot | 1.6640 | 1.6560 |
| 1 mth | 1.6632 | 1.6553 |
| 3 mth | 1.6607 | 1.6528 |
| 1 yr | 1.6477 | 1.6400 |

■ **OTHER CURRENCIES**

| Dec 16 | £ | $ |
|---|---|---|
| Czech Kr | 45.4110 - 45.4716 | 27.3350 - 27.3500 |
| Hungary | 258.405 - 258.848 | 155.330 - 155.480 |
| Iran | 4987.20 - 4994.20 | 3000.00 - 3010.00 |
| Kuwait | 0.4984 - 0.4996 | 0.2995 - 0.3001 |
| Poland | 4.7483 - 4.7561 | 2.8580 - 2.8610 |
| Russia | 9190.81 - 9230.37 | 5530.00 - 5538.00 |
| UAE | 6.0973 - 6.1088 | 3.6730 - 3.6735 |

- For the latest market update, ring FT Cityline on 0891 430003

*See page 1 for call charges*

## POUND SPOT FORWARD AGAINST THE POUND

| Dec 16 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 16.1665 | +0.1206 | 581 - 765 | 16.2022 | 16.0858 | 16.1226 | 2.9 | 16.0563 | 2.2 | - | - | 104.3 |
| Belgium | (BFr) | 53.2224 | +0.4119 | 814 - 633 | 53.4390 | 52.9330 | 53.0974 | 2.8 | 52.8824 | 2.9 | 51.8874 | 3.0 | 105.0 |
| Denmark | (DKr) | 9.8759 | +0.0874 | 712 - 806 | 9.9031 | 9.8597 | 9.8559 | 2.4 | 9.8154 | 2.5 | 9.6364 | 2.4 | 108.5 |
| Finland | (FM) | 7.7064 | +0.0411 | 019 - 149 | 7.7440 | 7.6600 | - | - | - | - | - | - | 84.5 |
| France | (FFr) | 8.7122 | +0.0541 | 084 - 160 | 8.7322 | 8.6864 | 8.6914 | 2.9 | 8.6495 | 2.9 | 8.445 | 3.1 | 107.9 |
| Germany | (DM) | 2.5816 | +0.0172 | 802 - 829 | 2.5877 | 2.5758 | 2.5761 | 3.0 | 2.5618 | 3.1 | 2.497 | 3.3 | 108.9 |
| Greece | (Dr) | 407.495 | +2.128 | 259 - 670 | 408.582 | 403.738 | - | - | - | - | - | - | [illegible] |
| Ireland | (I£) | 1.0001 | +0.0016 | [illegible] - 006 | 1.0014 | 0.9978 | 0.9996 | 0.4 | 0.9988 | 0.5 | 0.9922 | 0.8 | 102.7 |
| Italy | (L) | 2543.48 | +10.84 | 161 - 530 | 2545.30 | 2531.04 | 2547.26 | -1.8 | 2554.76 | -1.8 | 2569.26 | -0.8 | 77.9 |
| Luxembourg | (LFr) | 53.2224 | +0.4119 | 814 - 633 | 53.4390 | 52.9330 | 53.0974 | 2.8 | 52.8824 | 2.9 | 51.8874 | 3.0 | 105.0 |
| Netherlands | (Fl) | 2.8972 | +0.0189 | 935 - [illegible] | 2.9032 | 2.8824 | 2.8894 | 3.2 | 2.8739 | 3.2 | 2.8004 | 3.3 | [illegible] |
| Norway | (NKr) | 10.7719 | +0.0529 | 670 - 768 | 10.8282 | 10.7319 | 10.7594 | 1.4 | 10.7394 | 1.2 | 10.6944 | 1.3 | 98.6 |
| Portugal | (Es) | 260.320 | +1.292 | 159 - 482 | 260.671 | 258.613 | 260.515 | -0.9 | 260.885 | -0.9 | - | - | 95.3 |
| Spain | (Pta) | 217.169 | +1.382 | 062 - 276 | 217.822 | 216.612 | 217.249 | -0.4 | 217.129 | 0.1 | 217.02 | 0.1 | 79.4 |
| Sweden | (SKr) | 11.3496 | +0.0555 | 307 - 686 | 11.3754 | 11.3224 | 11.3303 | 2.0 | 11.2858 | 2.2 | 11.0763 | 2.4 | 88.1 |
| Switzerland | (SFr) | 2.2055 | +0.0234 | 038 - 068 | 2.2076 | 2.1944 | 2.1972 | 4.4 | 2.182 | 4.2 | 2.1105 | 4.3 | 105.4 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 93.7 |
| Ecu | - | 1.3384 | +0.0084 | 378 - 391 | 1.3386 | 1.3276 | 1.3365 | 1.7 | [illegible] | 1.9 | 1.3108 | 2.1 | - |
| SDR† | - | 1.149200 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.6517 | +0.0044 | 611 - 622 | 1.6627 | 1.6547 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.7269 | +0.0044 | 259 - 279 | 1.7280 | 1.7204 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.2699 | +0.0133 | 688 - 710 | 2.2710 | 2.2576 | 2.2647 | 2.7 | 2.2599 | 2.6 | 2.1949 | 3.3 | 84.6 |
| Mexico | (New Peso) | 13.0900 | -0.0488 | 819 - 980 | 13.1417 | 13.0819 | - | - | - | - | - | - | - |
| USA | ($) | 1.6619 | +0.0058 | 614 - 624 | 1.6636 | 1.6556 | 1.6611 | 0.6 | 1.6586 | 0.8 | 1.6456 | 1.0 | 98.4 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.0964 | +0.0074 | 951 - 977 | 2.0977 | 2.0873 | 2.0977 | -0.7 | 2.0994 | -0.4 | 2.098 | -0.1 | 94.6 |
| Hong Kong | (HK$) | 12.8565 | +0.0427 | 509 - 609 | 12.8705 | 12.8126 | 12.8483 | 0.7 | 12.8345 | 0.7 | 12.7699 | 0.7 | - |
| India | (Rs) | 59.5825 | +0.1108 | 815 - 835 | 59.6636 | 59.3740 | - | - | - | - | - | - | - |
| Israel | (Shk) | 5.4504 | +0.0072 | 437 - 570 | 5.4719 | 5.4427 | - | - | - | - | - | - | - |
| Japan | (Y) | 189.540 | +0.798 | 400 - 680 | 189.680 | 188.430 | 188.81 | 5.9 | 186.755 | 5.9 | 178.34 | 5.9 | 128.2 |
| Malaysia | (M$) | 4.1991 | +0.0149 | 972 - 009 | 4.2022 | 4.1783 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.3760 | +0.0129 | 731 - 789 | 2.3769 | 2.3606 | 2.3817 | -3.4 | 2.3912 | -2.7 | 2.412 | -1.5 | 111.2 |
| Philippines | (Peso) | 43.6614 | +0.0916 | 118 - 710 | 43.7710 | 43.6118 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 6.2330 | +0.0145 | 307 - 352 | 6.2390 | 6.2091 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.3278 | +0.0077 | 265 - 290 | 2.3290 | 2.3174 | - | - | - | - | - | - | - |
| South Africa | (R) | 7.8384 | -0.0102 | 318 - 449 | 7.8634 | 7.8107 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1400.15 | +1.38 | 556 - 475 | 1404.73 | 1395.58 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 45.7023 | +0.1045 | 555 - 490 | 45.7383 | 45.5147 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 42.4613 | +0.1719 | 401 - 824 | 42.5670 | 42.2890 | - | - | - | - | - | - | - |

† Rates for Dec 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Dec 16 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P. Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 10.9311 | +0.0477 | 282 - 339 | 10.9520 | 10.8880 | 10.9164 | 1.6 | 10.8711 | 2.2 | 10.6761 | 2.3 | 104.3 |
| Belgium | (BFr) | 32.0250 | +0.175 | 100 - 400 | 32.1900 | 31.8880 | 31.965 | 2.2 | 31.8375 | 2.3 | 31.2975 | 2.3 | 105.0 |
| Denmark | (DKr) | 5.9425 | +0.027 | 415 - 435 | 5.9623 | 5.9360 | 5.9336 | 1.8 | 5.9152 | 1.8 | [illegible] | 1.8 | 106.3 |
| Finland | (FM) | 4.6383 | +0.0142 | 358 - 408 | 4.6582 | 4.6087 | 4.6295 | 2.3 | 4.6108 | 2.4 | 4.5285 | 2.4 | 84.0 |
| France | (FFr) | 5.2422 | +0.0205 | 416 - 430 | 5.2512 | 5.2365 | 5.234 | 1.9 | 5.216 | 2.0 | 5.1403 | 1.9 | 107.6 |
| Germany | (DM) | 1.5534 | +0.0085 | 530 - 537 | 1.5577 | 1.5515 | 1.5505 | 2.2 | 1.5445 | 2.3 | 1.5197 | 2.2 | 106.5 |
| Greece | (Dr) | 245.180 | +0.72 | 130 - 230 | 246.280 | 242.980 | 246.735 | -7.6 | 249.305 | -6.7 | 260.33 | -6.2 | 66.4 |
| Ireland | (I£) | 1.6618 | +0.0011 | 610 - 625 | 1.6640 | 1.6575 | 1.6613 | 0.3 | 1.661 | 0.2 | 1.6581 | 0.2 | - |
| Italy | (L) | 1530.45 | +3.00 | 980 - 110 | 1533.66 | 1526.42 | 1533.62 | -2.5 | 1540.05 | -2.5 | 1553.1 | -1.5 | 77.6 |
| Luxembourg | (LFr) | 32.0250 | +0.175 | 100 - 400 | 32.1900 | 31.8880 | 31.965 | 2.2 | 31.8375 | 2.3 | 31.2975 | 2.3 | 105.0 |
| Netherlands | (Fl) | 1.7433 | +0.008 | 428 - 438 | 1.7473 | 1.7400 | 1.7395 | 2.6 | 1.7315 | 2.7 | 1.696 | 2.7 | 105.0 |
| Norway | (NKr) | 6.4817 | +0.005 | 807 - 827 | 6.5120 | 6.4572 | 6.4779 | 0.7 | 6.4725 | 0.6 | 6.4457 | 0.5 | 98.8 |
| Portugal | (Es) | 156.640 | +0.42 | 590 - 690 | 156.900 | 155.650 | 156.845 | -1.6 | 157.14 | -1.3 | 157.915 | -0.8 | 95.7 |
| Spain | (Pta) | 130.675 | +0.54 | 650 - 700 | 131.020 | 130.450 | 130.775 | -0.9 | 130.945 | -0.8 | 131.04 | -0.3 | 79.3 |
| Sweden | (SKr) | 6.8291 | +0.0195 | 248 - 334 | 6.8425 | 6.8145 | 6.8268 | 0.5 | 6.8165 | 0.7 | 6.7691 | 0.8 | 87.9 |
| Switzerland | (SFr) | 1.3270 | +0.0111 | 265 - 275 | 1.3296 | 1.3215 | 1.3232 | 3.5 | 1.3154 | 3.5 | 1.2825 | 3.4 | 105.6 |
| UK | (£) | 1.6619 | +0.0058 | 614 - 624 | 1.6636 | 1.6555 | 1.6611 | 0.6 | 1.6586 | 0.6 | 1.6456 | 1.0 | 99.1 |
| Ecu | - | 1.2418 | -0.005 | 414 - 421 | 1.2510 | 1.2394 | 1.2431 | -1.3 | 1.2463 | -1.4 | 1.2629 | -1.7 | - |
| SDR† | - | 0.693250 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9999 | +0.0004 | 998 - 999 | 0.9999 | 0.9998 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.0391 | +0.0000 | 388 - 394 | 1.0394 | 1.0362 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3659 | +0.0049 | 656 - 661 | 1.3669 | 1.3622 | 1.3635 | 2.1 | 1.3585 | 2.2 | [illegible] | 2.6 | 84.2 |
| Mexico | (New Peso) | 7.8765 | -0.0475 | 740 - 790 | 7.8780 | 7.8740 | 7.9945 | -18.0 | 8.251 | -19.5 | 9.1215 | -15.8 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 98.9 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.2614 | +0.0016 | 610 - 618 | 1.2618 | 1.2608 | 1.2629 | -1.4 | 1.2648 | -1.1 | 1.2703 | -0.7 | 96.1 |
| Hong Kong | (HK$) | 7.7355 | -0.004 | 350 - 360 | 7.7365 | 7.7346 | 7.7354 | 0.0 | 7.7359 | 0.0 | 7.747 | -0.1 | - |
| India | (Rs) | 35.8400 | -0.01 | 800 - 000 | 35.8900 | 35.7900 | 36.055 | -7.2 | 36.515 | -7.5 | - | - | - |
| Israel | (Shk) | 3.2796 | -0.0008 | 766 - 826 | 3.2900 | 3.2766 | - | - | - | - | - | - | - |
| Japan | (Y) | 114.050 | +0.22 | 000 - 100 | 114.190 | 113.700 | 113.575 | 5.0 | 112.57 | 5.2 | 108.37 | 5.0 | 129.0 |
| Malaysia | (M$) | 2.5267 | +0.0032 | 263 - 270 | 2.5270 | 2.5239 | 2.5295 | -1.4 | 2.5340 | -1.3 | 2.5582 | -1.2 | - |
| New Zealand | (NZ$) | 1.4291 | +0.0045 | 284 - 298 | 1.4260 | 1.4283 | 1.4346 | -4.8 | 1.4389 | -2.7 | 1.4704 | -2.9 | - |
| Philippines | (Peso) | 26.2900 | -0.005 | 500 - 300 | 26.3500 | 26.2500 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7506 | - | 503 - 507 | 3.7507 | 3.7505 | 3.7506 | -0.1 | 3.7512 | -0.1 | 3.7531 | -0.1 | - |
| Singapore | (S$) | 1.4007 | +0.0014 | 003 - 010 | 1.4011 | 1.3995 | 1.3985 | 1.8 | 1.394 | 1.9 | 1.3727 | 2.0 | - |
| South Africa | (R) | 4.7185 | -0.017 | 140 - 190 | 4.7270 | 4.7065 | 4.7572 | -10.4 | 4.8322 | -9.8 | 5.147 | -9.1 | - |
| South Korea | (Won) | 842.500 | -1.1 | 000 - 000 | 845.000 | 842.000 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 27.5000 | - | 800 - 200 | 27.5200 | 27.4800 | 27.5001 | 0.0 | 27.5003 | 0.0 | - | - | - |
| Thailand | (Bt) | 25.6100 | +0.045 | 050 - 150 | 25.6150 | 25.5750 | 25.7 | -4.2 | 25.8675 | -4.0 | 26.525 | -3.5 | - |

† SDR rate per $ for Dec 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 12: Base average 1990=100.

## WORLD INTEREST RATES

### MONEY RATES

| December 16 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 3⅛ | 3¼ | 3¼ | 3½ | 3¼ | 6.00 | 2.50 | - |
| France | 3⅜ | 3⅜ | 3⅜ | 3⅜ | 3⅜ | 3.20 | - | 4.75 |
| Germany | 3½ | 3¼ | 3⅛ | 3⅛ | 3¼ | 4.50 | 2.50 | 3.00 |
| Ireland | 6½ | 5⅞ | 5⅞ | 5⅞ | [illegible] | - | - | 6.25 |
| Italy | 7⅜ | 7⅜ | 7¼ | 6⅞ | 6⅞ | 9.00 | 7.50 | 7.38 |
| Netherlands | 2⅝ | 2⅝ | 3⅛ | [illegible] | 3⅛ | - | 3.00 | 3.30 |
| Switzerland | 1½ | 1½ | 1½ | 1½ | 2 | - | 1.00 | - |
| US | 5¾ | 5½ | 5⅝ | 5⅝ | 5¾ | - | 5.00 | - |
| Japan | ½ | ½ | ½ | ½ | ½ | - | 0.50 | - |
| ■ $ LIBOR FT London | | | | | | | | |
| Interbank Fixing | - | 5⅜ | 5½ | 5⅝ | 5¾ | - | - | - |
| US Dollar CDs | - | 4.85 | 5.05 | 5.11 | 5.27 | - | - | - |
| ECU Linked Ds | - | 4½ | 4⅝ | 4⅝ | 4⅝ | - | - | - |
| SDR Linked Ds | - | 3⅜ | 3⅜ | 3⅜ | 3½ | - | - | - |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Dec 16 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 3⅛ - 2⅞ | 3⅛ - 2⅞ | 3⅛ - 3 | 3⅛ - 3 | 3⅛ - 3⅛ | 3⅜ - 3¼ |
| Danish Krone | 3⅜ - 3¼ | 3½ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3⅝ - 3½ | 3¾ - 3⅝ |
| D-Mark | 3⅛ - 2⅞ | 3⅜ - 3¼ | 3⅜ - 3¼ | 3⅜ - 3¼ | 3¼ - [illegible] | [illegible] - 3⅛ |
| Dutch Guilder | 2⅞ - 2⅞ | 3 - 2⅞ | 3⅛ - 2⅞ | 3⅛ - 3 | 3⅛ - 3⅛ | 3¼ - 3⅛ |
| French Franc | 3⅜ - 3¼ | 3⅜ - 3¼ | 3⅜ - 3¼ | 3⅜ - 3¼ | [illegible] - 3⅜ | [illegible] - 3⅜ |
| Portuguese Esc. | 6⅞ - 6⅝ | 6¾ - 6⅝ | 6¾ - 6⅝ | 6⅝ - 6½ | 6⅜ - 6¼ | 6⅛ - 5⅞ |
| Spanish Peseta | 6⅜ - 6⅛ | 6⅝ - 6½ | 6⅝ - 6½ | 6⅜ - 6¼ | 6⅛ - 6 | 6 - 5⅞ |
| Sterling | 6⅛ - 6⅛ | 6⅛ - 5⅞ | 6⅛ - 6 | 6⅜ - 6¼ | 6½ - 6⅝ | 6⅞ - 6¾ |
| Swiss Franc | 1⅝ - 1⅜ | 1⅝ - 1½ | 2⅛ - 2 | 2⅛ - 1⅞ | 2⅛ - 1⅞ | 2⅛ - 2 |
| Can. Dollar | 3⅜ - 2⅞ | 3⅛ - 2⅞ | 3⅛ - 2⅞ | 3⅛ - 3 | 3⅜ - 3¼ | 3⅝ - 3½ |
| US Dollar | 5⅜ - 5⅜ | 5⅜ - 5¼ | 5⅝ - 5½ | 5⅝ - 5½ | 5⅝ - 5⅝ | 5⅞ - 5¾ |
| Italian Lira | 8¼ - 7⅞ | 7⅞ - 7⅝ | 7⅞ - 7¾ | 7⅝ - 7½ | 6⅞ - 6¾ | 6⅝ - 6½ |
| Yen | ½ - ⅜ | ½ - ⅜ | ½ - ⅜ | ½ - ⅜ | ⅝ - ½ | ½ - ⅝ |
| Asian $Sing | 2⅜ - 2¼ | 2⅜ - 2¼ | 3¼ - 3⅛ | 3⅜ - 3¼ | 3⅝ - 3½ | 3⅞ - 3¾ |

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.57 | 96.56 | +0.01 | 96.57 | 96.55 | 5,672 | 33,340 |
| Mar | 96.69 | 96.67 | +0.04 | 96.70 | 96.66 | 25,661 | 63,703 |
| Jun | 96.65 | 96.65 | +0.06 | 96.67 | 96.64 | 5,471 | 37,848 |

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.76 | 96.75 | -0.02 | 96.76 | 96.75 | 21090 | 171184 |
| Mar | 96.86 | 96.88 | +0.02 | 96.89 | 96.86 | 41709 | 208076 |
| Jun | 96.81 | 96.84 | +0.03 | 96.86 | 96.81 | 30115 | 170654 |
| Sep | 96.70 | 96.72 | +0.04 | 96.73 | 96.69 | 26970 | 141208 |

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 96.69 | 96.69 | -0.01 | 96.69 | 96.69 | 100 | 3671 |
| Jan | 96.92 | 96.91 | - | 96.92 | 96.90 | 1050 | 8724 |
| Feb | 96.92 | 96.92 | +0.02 | 96.93 | 96.92 | 923 | 7838 |
| Mar | 96.91 | 96.91 | +0.02 | 96.93 | 96.91 | 803 | 1210 |

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 92.82 | 92.80 | -0.01 | 92.82 | 92.79 | 5886 | 51321 |
| Mar | 93.58 | 93.64 | +0.08 | 93.66 | 93.56 | 20470 | 93214 |
| Jun | 93.97 | 94.04 | +0.07 | 94.05 | 93.97 | 5974 | 51649 |
| Sep | 94.16 | 94.16 | +0.06 | 94.18 | 94.12 | 5000 | 29188 |

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 97.99 | 97.94 | -0.04 | 97.99 | 97.94 | 606 | 23761 |
| Mar | 98.16 | 98.11 | -0.05 | 98.16 | 98.09 | 8229 | 39658 |
| Jun | 98.09 | 98.03 | -0.04 | 98.08 | 98.01 | 1406 | 17758 |
| Sep | 97.92 | 97.86 | -0.04 | 97.92 | 97.87 | 421 | 6676 |

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 99.47 | 99.47 | +0.02 | 99.48 | 99.47 | 482 | n/a |
| Jun | 99.38 | 99.38 | +0.02 | 99.39 | 99.38 | 380 | n/a |
| Sep | 99.25 | 99.26 | +0.02 | 99.28 | 99.25 | 2143 | n/a |

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 95.81 | 95.81 | -0.01 | 95.82 | 95.81 | 593 | 7327 |
| Mar | 95.94 | 95.94 | +0.02 | 95.95 | 95.94 | 1828 | 9011 |
| Jun | 95.96 | 95.98 | +0.03 | 95.97 | 95.94 | 367 | 4300 |
| Sep | 95.92 | 95.93 | +0.04 | 95.95 | 95.92 | 231 | 3208 |

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

| Strike Price | CALLS Dec | CALLS Mar | CALLS Jun | PUTS Dec | PUTS Mar | PUTS Jun |
|---|---|---|---|---|---|---|
| 9275 | 0.05 | 0.93 | 1.36 | 0 | 0.04 | 0.06 |
| 9300 | 0 | 0.70 | 1.13 | 0.20 | 0.06 | 0.09 |
| 9325 | 0 | 0.49 | 0.92 | 0.45 | 0.10 | 0.13 |

Est. vol. total, Calls 1606 Puts 926. Previous day's open int., Calls 121884 Puts 101936

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Dec 16 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.56 | 16.37 | 4.852 | 1.879 | 4778 | 5.443 | 20.24 | 489.1 | 408.3 | 21.33 | 4.143 | 1.879 | 4.265 | 3.123 | 356.1 | 2.514 |
| Denmark | (DKr) | 53.89 | 10 | 8.821 | 2.614 | 1.013 | 2575 | 2.933 | 10.91 | 263.6 | 220.0 | 11.49 | 2.233 | 1.013 | 2.297 | 1.683 | 191.9 | 1.355 |
| France | (FFr) | 61.09 | 11.34 | 10 | 2.964 | 1.148 | 2919 | 3.325 | 12.36 | 298.8 | 249.4 | 13.03 | 2.531 | 1.148 | 2.604 | 1.908 | 217.5 | 1.536 |
| Germany | (DM) | 20.61 | 3.826 | 3.374 | 1 | 0.387 | 984.9 | 1.122 | 4.171 | 100.8 | 84.16 | 4.396 | 0.854 | 0.387 | 0.879 | 0.644 | 73.39 | 0.518 |
| Ireland | (I£) | 53.22 | 9.876 | 8.712 | 2.582 | 1 | 2543 | 2.897 | 10.77 | 260.3 | 217.3 | 11.35 | 2.205 | 1.000 | 2.269 | 1.662 | 189.5 | 1.338 |
| Italy | (L) | 2.095 | 0.388 | 0.343 | 0.102 | 0.039 | 100. | 0.114 | 0.424 | 10.24 | 8.545 | 0.446 | 0.087 | 0.039 | 0.089 | 0.065 | 7.452 | 0.053 |
| Netherlands | (Fl) | 18.37 | 3.409 | 3.007 | 0.891 | 0.345 | 877.8 | 1 | 3.718 | 89.85 | 75.01 | 3.918 | 0.761 | 0.345 | 0.783 | 0.574 | 65.41 | 0.462 |
| Norway | (NKr) | 49.42 | 9.170 | 8.089 | 2.397 | 0.929 | 2361 | 2.690 | 10 | 241.7 | 201.8 | 10.54 | 2.047 | 0.929 | 2.107 | 1.543 | 176.0 | 1.242 |
| Portugal | (Es) | 20.45 | 3.794 | 3.347 | 0.992 | 0.384 | 976.9 | 1.113 | 4.138 | 100. | 83.46 | 4.360 | 0.847 | 0.384 | 0.872 | 0.638 | 72.80 | 0.514 |
| Spain | (Pta) | 24.49 | 4.545 | 4.009 | 1.188 | 0.460 | 1170 | 1.333 | 4.956 | 119.8 | 100. | 5.223 | 1.015 | 0.460 | 1.044 | 0.765 | 87.21 | 0.616 |
| Sweden | (SKr) | 46.89 | 8.701 | 7.676 | 2.275 | 0.881 | 2241 | 2.552 | 9.489 | 229.3 | 191.5 | 10 | 1.943 | 0.881 | 1.999 | 1.464 | 167.0 | 1.179 |
| Switzerland | (SFr) | 24.14 | 4.479 | 3.951 | 1.171 | 0.454 | 1153 | 1.314 | 4.884 | 118.0 | 98.55 | 5.147 | 1 | 0.454 | 1.029 | 0.754 | 85.94 | 0.607 |
| UK | (£) | 53.32 | 9.876 | 8.712 | 2.582 | 1.000 | 2543 | 2.897 | 10.77 | 260.3 | 217.3 | 11.35 | 2.205 | 1 | 2.269 | 1.662 | 189.5 | 1.338 |
| Canada | (C$) | 23.46 | 4.353 | 3.840 | 1.138 | 0.441 | 1121 | 1.277 | 4.747 | 114.7 | 95.77 | 5.002 | 0.972 | 0.441 | 1 | 0.732 | 83.52 | 0.590 |
| US | ($) | 32.02 | 5.942 | 5.242 | 1.554 | 0.602 | 1530 | 1.743 | 6.480 | 156.6 | 130.7 | 6.829 | 1.327 | 0.602 | 1.365 | 1 | 114.0 | 0.806 |
| Japan | (Y) | 28.08 | 5.212 | 4.597 | 1.363 | 0.528 | 1342 | 1.529 | 5.683 | 137.4 | 114.7 | 5.989 | 1.164 | 0.528 | 1.197 | 0.877 | 100. | 0.706 |
| Ecu | | 39.78 | 7.381 | 6.511 | 1.930 | 0.747 | 1901 | 2.165 | 8.049 | 194.5 | 162.4 | 8.480 | 1.648 | 0.747 | 1.696 | 1.242 | 141.6 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.6432 | 0.6441 | +0.0002 | 0.6442 | 0.6429 | 6,896 | 34,355 |
| Mar | - | 0.6478 | +0.0006 | 0.6482 | 0.6464 | 24,985 | 47,004 |
| Jun | - | - | - | - | - | 133 | 4,409 |

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.7513 | 0.7544 | -0.0014 | 0.7544 | 0.7525 | 3,408 | 32,779 |
| Mar | 0.7607 | 0.7612 | -0.0010 | 0.7612 | 0.7588 | 19,217 | 42,210 |
| Jun | 0.7680 | 0.7668 | -0.0024 | 0.7681 | 0.7680 | 30 | 1,362 |

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 0.8785 | 0.8787 | +0.0008 | 0.8787 | 0.8773 | 5,974 | 23,709 |
| Mar | 0.8889 | 0.8905 | +0.0012 | 0.8906 | 0.8890 | 27,277 | 51,907 |
| Jun | - | 0.9010 | - | - | - | 218 | 1,216 |

■ **STERLING FUTURES** (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 1.6590 | 1.6610 | +0.0050 | 1.6620 | 1.6586 | 5,358 | 50,900 |
| Mar | 1.6534 | 1.6582 | +0.0056 | 1.6600 | 1.6558 | 9,118 | 22,182 |
| Jun | 1.6520 | 1.6526 | +0.0040 | 1.6528 | 1.6520 | 100 | 2,210 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Dec 16 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 6⅛ - 5¾ | 6⅛ - 5⅞ | 6⅛ - 6 | 6⅜ - 6¼ | 6⅝ - 6½ | 6⅞ - 6¾ |
| Sterling CDs | - | - | 6⅛ - 6 | 6⅜ - 6¼ | 6⅝ - 6½ | 6⅞ - 6¾ |
| Treasury Bills | - | - | 5⅞ - 5¾ | 6⅛ - 6 | - | - |
| Bank Bills | - | - | 5⅞ - 5¾ | 6⅛ - 6 | 6⅜ - 6¼ | - |
| Local authority deps. | 5⅞ - 5¾ | 5⅞ - 5¾ | 6⅛ - 6 | 6⅜ - 6¼ | 6⅝ - 6½ | 6⅞ - 6¾ |
| Discount Market deps | 6½ - 5⅞ | 6 - 5⅞ | - | - | - | - |

UK clearing bank base lending rate 6 per cent from October 30, 1996

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 2½ | 5½ | 5 | 5 | 4¾ |

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Dec 13, 5.8044pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 29, 1996. Agreed rate for period Dec 25, 1996 to Jan 25, 1997, Scheme III 7.51pc. Reference rate for period Nov 1, 1996 to Nov 29, 1996, Schemes IV & V 6.373pc. Finance House Base Rate 6½pc from Dec 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 93.63 | 93.62 | -0.01 | 93.63 | 93.61 | 5910 | 99170 |
| Mar | 93.47 | 93.45 | - | 93.47 | 93.43 | 7955 | 95307 |
| Jun | 93.22 | 93.20 | - | 93.23 | 93.18 | 7239 | 84253 |
| Sep | 93.00 | 93.01 | +0.02 | 93.03 | 92.99 | 5463 | 56930 |
| Dec | 92.84 | 92.82 | +0.02 | 92.85 | 92.81 | 3541 | 42277 |

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Dec | CALLS Mar | CALLS Jun | PUTS Dec | PUTS Mar | PUTS Jun |
|---|---|---|---|---|---|---|
| 9350 | 0.12 | 0.13 | 0.11 | 0 | 0.18 | 0.41 |
| 9375 | 0 | 0.04 | 0.05 | 0.13 | 0.34 | 0.60 |
| 9400 | 0 | 0.01 | 0.02 | 0.38 | 0.56 | 0.82 |

Est. vol. total, Calls 1210 Puts 555. Previous day's open int., Calls 248708 Puts 170081

### EMS EUROPEAN CURRENCY UNIT RATES

| Dec 16 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Ireland | 0.798709 | 0.752135 | -0.004769 | -5.83 | 7.65 | 39 |
| Finland | 5.85424 | 5.79495 | -0.00207 | -1.01 | 2.41 | 7 |
| Portugal | 197.398 | 195.718 | +0.11 | -0.85 | 2.24 | 6 |
| Spain | 163.826 | 163.269 | +0.107 | -0.34 | 1.72 | 2 |
| Italy | 1906.48 | 1910.22 | -4.98 | 0.20 | 1.17 | -1 |
| Netherlands | 2.16979 | 2.17750 | +0.00444 | 0.36 | 1.01 | -3 |
| Belgium | 39.7191 | 40.0001 | +0.0748 | 0.71 | 0.66 | -5 |
| Germany | 1.92573 | 1.94084 | +0.00389 | 0.78 | 0.58 | -6 |
| Austria | 13.5485 | 13.6571 | +0.0267 | 0.80 | 0.57 | -6 |
| Denmark | 7.34555 | 7.42614 | +0.00744 | 1.10 | 0.27 | -8 |
| France | 6.45863 | 6.54728 | +0.00564 | 1.37 | 0.00 | -12 |
| NON ERM MEMBERS | | | | | | |
| Greece | 295.269 | 306.065 | -0.135 | 3.66 | -2.20 | - |
| UK | 0.793103 | 0.752135 | -0.006274 | -5.17 | 6.89 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

| Strike Price | CALLS Dec | CALLS Jan | CALLS Feb | PUTS Dec | PUTS Jan | PUTS Feb |
|---|---|---|---|---|---|---|
| 1.640 | 1.30 | 2.27 | 2.58 | - | 0.93 | 1.71 |
| 1.650 | 0.37 | 1.69 | 2.38 | - | 1.34 | 2.04 |
| 1.660 | - | 1.21 | 1.91 | 0.58 | 1.88 | 2.69 |

Previous day's vol., Calls 926 Puts 719 . Prev. day's open int., Calls 34,269 Puts 67,320

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

| Strike Price | CALLS Dec | CALLS Jan | CALLS Feb | PUTS Dec | PUTS Jan | PUTS Feb |
|---|---|---|---|---|---|---|
| 0.640 | 0.34 | 0.85 | 1.20 | - | 0.41 | 0.61 |
| 0.645 | - | 0.57 | 0.92 | 0.14 | 0.61 | 0.85 |
| 0.650 | - | 0.38 | 0.69 | 0.62 | 0.91 | 1.11 |

Previous day's vol., Calls 5,638 Puts 8,597 . Prev. day's open int., Calls 48,327 Puts 36,747

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 94.46 | 94.46 | -0.01 | 94.47 | 94.46 | 43,458 | 339,249 |
| Mar | 94.48 | 94.46 | - | 94.48 | 94.45 | 66,282 | 400,458 |
| Jun | 94.38 | 94.35 | - | 94.38 | 94.34 | 87,134 | 312,241 |

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 95.04 | 95.04 | - | 95.04 | 95.04 | 459 | 4,811 |
| Jun | 94.96 | 94.96 | - | 94.96 | 94.96 | 237 | 2,318 |
| Sep | - | 94.81 | - | - | - | 9 | 25 |

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

| Strike Price | CALLS Dec | CALLS Jan | CALLS Feb | CALLS Mar | PUTS Dec | PUTS Jan | PUTS Feb | PUTS Mar |
|---|---|---|---|---|---|---|---|---|
| 9675 | 0 | 0.15 | 0.17 | 0.19 | 0 | 0.02 | 0.04 | 0.06 |
| 9700 | 0 | 0.02 | 0.04 | 0.06 | 0.25 | 0.14 | 0.16 | 0.18 |
| 9725 | 0 | 0 | 0.01 | 0.01 | 0.50 | 0.37 | 0.38 | 0.38 |

Est. vol. total, Calls 2497 Puts 2530. Previous day's open int., Calls 322484 Puts 355304

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Dec | CALLS Mar | CALLS Jun | PUTS Dec | PUTS Mar | PUTS Jun |
|---|---|---|---|---|---|---|
| 9800 | 0 | 0.30 | 0.38 | 0.06 | 0.19 | 0.35 |
| 9825 | 0 | 0.18 | 0.24 | 0.31 | 0.30 | 0.46 |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 6311 Puts 4945

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6.00 | Cyprus Popular Bank | 6.00 | NatWestminster | 6.00 |
| Allied Irish Bank (GB) | 6.00 | Duncan Lawrie | 6.00 | •Rea Brothers | 6.00 |
| Allied Trust Bank | 6.00 | Exeter Bank Limited | 7.00 | Royal Bk of Scotland | 6.00 |
| •Henry Ansbacher | 6.00 | Financial & Gen Bank | 7.00 | •Singer & Friedlander | 6.00 |
| Bank of Baroda | 6.00 | •Robert Fleming & Co | 6.00 | •Smith & Williamson Secs | 6.00 |
| Banco Bilbao Vizcaya | 6.00 | Girobank | 6.00 | Scottish Widows Bank | 6.00 |
| Bank of Cyprus | 6.00 | •Guinness Mahon | 6.00 | TSB | 6.00 |
| Bank of Ireland | 6.00 | Habib Bank AG Zurich | 6.00 | United Bank of Kuwait | 6.00 |
| Bank of India | 6.00 | •Hambros Bank | 6.00 | Unity Trust Bank Plc | 6.00 |
| Bank of Scotland | 6.00 | Heritable & Gen Inv Bk | 6.00 | Western Trust | 6.00 |
| Barclays Bank | 6.00 | •Hill Samuel | 6.00 | Whiteaway Laidlaw | 6.00 |
| Brit Bk of Mid East | 6.00 | C. Hoare & Co | 6.00 | Yorkshire Bank | 6.00 |
| •Brown Shipley & Co Ltd | 6.00 | Hongkong & Shanghai | 6.00 | | |
| Citibank NA | 6.00 | Julian Hodge Bank | 6.00 | | |
| Clydesdale Bank | 6.00 | •Leopold Joseph & Sons | 6.00 | | |
| The Co-operative Bank | 6.00 | Lloyds Bank | 6.00 | | |
| Coutts & Co | 6.00 | Midland Bank | 6.00 | | |
| | | *Mount Credit Corp | 6.25 | | |

■ Members of London Investment Banking Association
* In administration

## COMMODITIES AND AGRICULTURE

# Coffee recovers from earlier setback

MARKETS REPORT

By Alison Maitland, Philip Coggan and Peter John

Coffee futures prices largely recovered from falls in New York and London which followed news of an increase in Liffe coffee stocks and an upward revision in the US Department of Agriculture's world crop forecast.

The March arabica contract in New York closed at 109.70 cents a pound, down 1.50 cents, while in London robusta futures for March delivery ended $3 lower at $1,275 a tonne after dropping to $1,256.

Liffe said certified coffee stocks available for delivery rose to 2,104 five-tonne lots in November from 1,410 lots in October.

Ms Judy Ganes, analyst with Merrill Lynch in New York, said the jump in supplies had put the market under pressure.

The USDA half-yearly forecast put global production for 1996-97 at 100.9m 60kg bags, up 1.8m from its June prediction.

It revised upwards its forecasts for Indonesia and Vietnam, two important robusta producers. Indonesia was put at 7.5m bags, up from 6.5m in June, while Vietnam's crop was estimated at 4.3m bags against 3.5m in June.

White sugar futures for May delivery eased $1.60 a tonne to $301.50 in thin Liffe trading.

ED&F Man, the London broker, says in a report published today that sugar prices will continue to be dragged down as European Union supplies arrive in the new year. Other downward pressures on the market will be larger raw sugar exports from Thailand and cheaper Cuban supplies.

But it says the downside may be limited because the final size of the new Cuban crop is still far from certain, and because white sugar producers in eastern Europe may stop exporting following the drop in prices. Iraqi buying could also be bullish for whites.

Metals prices were generally weaker, as traders dealt in the cash market for the month's "third Wednesday pricing" in two days' time. Tin slipped to a nine-month low and copper fell to the $2,100 support level.

"We have had fairly strong rises in the last few months and traders are taking profits and squaring their books," said Mr Robin Bhar, metals analyst at Brandeis.

Gold edged lower in listless trading. Mr Ted Arnold of Merrill Lynch said gold was "basically suffering from over-supply, from central bank and producer selling and, as time goes on, the price is eroding away".

Oil prices eased yesterday as the market steadied itself for the impact of the first Iraqi supplies for six years.

Brent crude for January delivery was trading at $24.075 in late afternoon on London's International Petroleum Exchange.

However, prices have recovered from last week's initial nervousness and traders said the impact of Iraqi exports was offset by low inventories and recent cold weather snaps.

# Data on housing lift lumber market

By Laurie Morse in Chicago

The North American lumber market was lifted yesterday by expectations that US housing starts increased slightly in November.

The US government will release the data on new-home construction and applications for building permits today.

Traders expect the report to show a rise to 1.39m units on an annualised basis in November, up from the 1.37m units the government forecast in October. Applications for building permits, a leading indicator of future construction, are expected to increase to 1.37m units, from 1.36m in October.

Lumber prices are highly sensitive to bond prices, since mortgage rates change in tandem with the Treasury market. A dip in mortage rates this autumn helped send lumber futures prices at the Chicago Mercantile Exchange to life-of-contract highs a month ago. However, prices have since retracted sharply as bond yields rose.

At midday yesterday, lumber futures for January delivery at the CME were $5 higher than Friday's close, at $385.50 per thousand board feet. The November high in the contract was $[illegible].

"We're expecting to see a modest rebound in new home starts," said Mr David Berson, chief economist with Fannie Mae, the national mortgage insurance agency. "Housing starts have dropped faster than home sales in the last six months."

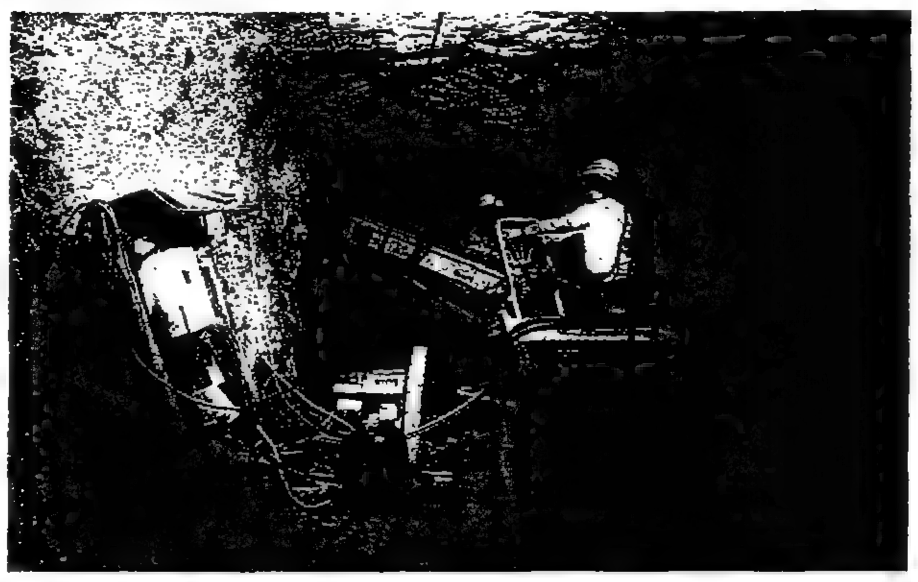
He said higher mortgage rates this summer may have discouraged home builders, even as home sales approached record levels in the US. Now, it may be a case of builders catching up, he said.

Mr Neal Schmaedick, lumber analyst for Smith Barney, said seasonal factors have dented demand for lumber, contributing to futures market declines in the last month. Cold weather has limited new construction in some parts of the US.

Furthermore, he said many retailers have moved to just-in-time inventory management. "Historically at this time of year, retailers would be building inventories in anticipation of the spring building season," he said. "They are not doing that this year, and we've seen a lull in demand."

# Indian mining pulls in $500m

By Kenneth Gooding, Mining Correspondent



Images of India

India was once the world's sole producer of diamonds but now imports about 70m carats

The message that India is attempting to attract foreign capital into its mining industry for the first time in decades is bearing fruit. About $500m of investment by some of the world's biggest mining companies has been approved by the Foreign Investment Promotion Board in recent months.

The list of investors includes Ashton Mining, BHP and Normandy of Australia; De Beers of South Africa and RTZ-CRA, the Anglo-Australian group, according to Mr A. C. Sen, secretary to the ministry of mines.

Most of the money is being used to set up exploration companies, and the main target is diamonds. India's diamond cutting and polishing industry – with 6m directly employed – imports about 70m carats of rough (uncut) stones a year while domestic diamond mining produces only 26,000 carats. The country was once the world's sole diamond producer.

Mr M. Mukherjee, chief controller of mines, Indian Bureau of Mines, said at a seminar in London that the country produces two tonnes of gold but consumes an estimated 250 tonnes. He said India provided for only 30 per cent of its copper requirements, it mined no nickel and that by 2000 there would be room for another 120,000 tonnes of annual primary aluminium production. "There are opportunities for foreign participation in bauxite, iron ore, copper, chromite, diamonds, gold and potash," he said.

He was speaking at an Indian government seminar held to raise awareness of the country's mineral potential among overseas investors. It was sponsored by NatWest Markets, Arthur Andersen and Ashurst Morris Crisp, and organised by Mining Journal Research Services.

Mr Sen said India needed twice as much exploration as that planned by 2002. Although India had a rich mining heritage dating back 6,000 years and 93 per cent of the country had been geologically mapped, "it is one of the least explored areas on earth. More advanced geochemical, aero-magnetic and geophysical techniques have not yet been put to any significant extensive use."

The delegates were also told there were several iron ore, bauxite and copper mines that needed capital and there were opportunities for mining equipment manufacturers because so much plant needed replacing.

## COMMODITIES NEWS DIGEST

# SIB set to release report on LME

The Securities and Investments Board, the UK's leading financial watchdog, yesterday said it would release its report on regulating the London Metal Exchange on Thursday. The LME invited the SIB to conduct the review after the Sumitomo Corp copper troubles hit commodities markets. The Japanese trading house lost $2.6bn and has since fired Mr Yasuo Hamanaka, its chief copper trader, accusing him of running up the losses in unauthorised trading.

The report will be in two sections, one covering recommendations for reform, the other a review of all the submissions it received. The SIB has said that it thinks commodities markets are highly susceptible to manipulation. When the SIB asked for responses to its discussion paper, the most frequently highlighted areas of concern were the composition of the LME board and whether this created conflicts of interest. The LME board is dominated by broker members and it has been suggested that reform should include the appointment of more independent directors.

It is also likely that the SIB will highlight changes to the reporting of large holdings in the market. The LME dominates world metals trading with 95 per cent of the world's copper futures and 100 per cent in most other metals. *Susanna Voyle*

### New Chile smelters likely

Chile's booming copper industry will produce enough copper concentrates in the coming years to supply two new smelters which are currently under study, said trade group National Mining Society (Sonami). "It's probable that there is justification for two smelters," said Mr Hernan Hochschild, Sonami president.

Sonami started work two months ago on a study for South Korean industrial giant Hyundai on the feasibility of building a smelter which would process 400,000 tonnes of copper concentrates a year. "The report has been delayed and should be ready in March, three months later than originally expected," Mr Hochschild said.

Last week Endesa, the Chilean electricity giant, said it had struck a deal with Finland's Outokumpu to study the construction of an $800m smelter to process 1m tonnes of copper concentrates. *Reuter, Santiago*

### Setback for Venezuela cocoa

Venezuela's production of fine aromatic cocoa is expected to drop by as much as 30 per cent to around 11,500 tonnes due to unseasonable weather and heavy rains, Venezuelan exporters said. Torrential rains over the past month had "really hurt the production of carinero superior cocoa," said Mr John Kehoe of Venezuela Commercial Cacao. "Although the Rio Caribe cocoa in eastern Venezuela has been less hurt, it's going to be a hard year, especially as a number of merchants are short," he added.

Venezuela produces some 16,500 tonnes of cocoa each year, about 0.5 per cent of the world market, but nearly 20 per cent of the world's flavour crop. *Reuter, Caracas*

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1481.5-82.5 | 1513-13.5 |
| Previous | 1499-1500 | 1529-30 |
| High/low | 1478/1475 | 1517/1507 |
| AM Official | 1475-76 | 1508-09 |
| Kerb close | | 1516-17 |
| Open int. | 255,372 | |
| Total daily turnover | 113,611 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1325-30 | 1355-60 |
| Previous | 1335-40 | 1365-8 |
| High/low | 1325 | 1358/1355 |
| AM Official | 1324-25 | 1357-58 |
| Kerb close | | 1357-60 |
| Open int. | 6,399 | |
| Total daily turnover | 2,460 | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 682-3 | 688-9 |
| Previous | 707.5-8.0 | 699-700 |
| High/low | 691/690 | 695/687 |
| AM Official | 685-6 | 689-90 |
| Kerb close | | 687-8 |
| Open int. | 39,262 | |
| Total daily turnover | 13,965 | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 6455-65 | 6560-65 |
| Previous | 6545-55 | 6645-8 |
| High/low | 6522/6520 | 6650/6515 |
| AM Official | 6520-22 | 6635-40 |
| Kerb close | | 6610-15 |
| Open int. | 46,495 | |
| Total daily turnover | 16,770 | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 5675-85 | 5715-25 |
| Previous | 5780-85 | 5800-5 |
| High/low | | 5770/5680 |
| AM Official | 5715-20 | 5759-60 |
| Kerb close | | 5665-90 |
| Open int. | 17,032 | |
| Total daily turnover | 4,825 | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1025-26 | 1049-50 |
| Previous | 1031-2 | 1055-5.5 |
| High/low | 1028 | 1053/1045 |
| AM Official | 1027.5-28.5 | 1051.5-52 |
| Kerb close | | 1045-47 |
| Open int. | 82,833 | |
| Total daily turnover | 38,219 | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 2165-70 | 2107-08 |
| Previous | 2237-42 | 2135-6 |
| High/low | 2198/2195 | 2138/2100 |
| AM Official | 2198-99 | 2133-34 |
| Kerb close | | 2082-84 |
| Open int. | 168,629 | |
| Total daily turnover | 103,105 | |

■ LME AM Official £/$ rate: 1.6595
LME Closing £/$ rate: 1.6630

Spot: 1.6630 3 mths: 1.6595 6 mths: 1.6555 9 mths: 1.6510

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Dec | 100.05 | -2.45 | 102.00 | 99.50 | 1,017 | 4,445 |
| Jan | 98.65 | -2.90 | 101.00 | 98.00 | 156 | 6,302 |
| Feb | 97.65 | -3.00 | 98.90 | 97.30 | 59 | 1,425 |
| Mar | 96.65 | -2.65 | 99.50 | 96.20 | 3,710 | 24,003 |
| Apr | 95.25 | -2.45 | 97.50 | 95.30 | 22 | 940 |
| May | 94.00 | -2.20 | 96.50 | 93.60 | 145 | 4,709 |
| Total | | | | | 5,473 | 58,671 |

### PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 368.70-369.00 | | |
| Opening | 368.20-368.60 | | |
| Morning fix | 368.60 | 222.02 | 489.26 |
| Afternoon fix | 368.25 | 221.61 | 488.37 |
| Day's High | 368.60-368.90 | | |
| Day's Low | 367.45-367.75 | | |
| Previous close | 369.00-369.40 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 3.24 | 6 months | 3.50 |
| 2 months | 3.25 | 12 months | 3.60 |
| 3 months | 3.28 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 289.95 | 481.00 |
| 3 months | 293.95 | 486.74 |
| 6 months | 298.30 | 492.90 |
| 1 year | 307.25 | 504.90 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 368-370 | 221-223 |
| Maple Leaf | - | - |
| New Sovereign | 86-89 | 52-54 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Dec | 368.4 | -0.2 | 368.8 | 367.7 | 54 | 706 |
| Jan | 368.9 | -0.5 | - | - | - | - |
| Feb | 369.9 | -0.5 | 370.5 | 369.1 | 11,856 | 91,749 |
| Apr | 372.1 | -0.4 | 372.4 | 371.3 | 302 | 21,817 |
| Jun | 374.4 | -0.4 | 374.7 | 373.7 | 134 | 15,719 |
| Aug | 376.8 | -0.3 | - | - | 406 | 8,365 |
| Total | | | | | [illegible] | [illegible] |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Jan | 370.1 | -0.7 | 371.0 | 369.1 | 4,207 | 15,743 |
| Apr | 372.0 | -0.6 | 372.8 | 371.0 | 2,269 | 11,993 |
| Jul | 374.1 | -0.6 | 375.0 | 374.6 | 40 | 2,013 |
| Oct | 377.4 | -0.6 | 379.0 | 377.5 | 418 | 1,860 |
| Total | | | | | 6,934 | 31,631 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Dec | 117.75 | - | - | - | 34 | 22 |
| Mar | 118.75 | - | 120.25 | 119.25 | 163 | 7,284 |
| Jun | 121.05 | - | - | - | 2 | 385 |
| Sep | 122.05 | - | - | - | - | 5 |
| Dec | 123.05 | - | - | - | - | 17 |
| Total | | | | | 197 | 7,883 |

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Dec | 478.2 | -1.3 | 479.0 | 477.0 | 70 | 128 |
| Jan | 478.5 | -1.3 | 477.0 | 476.0 | 5 | 22 |
| Feb | 481.0 | -1.3 | - | - | - | 2 |
| Mar | 483.5 | -1.5 | 485.0 | 482.0 | 5,898 | 55,970 |
| May | 487.0 | -1.5 | 488.5 | 486.5 | 36 | 9,434 |
| Jul | 492.2 | -1.3 | 493.0 | 491.5 | [illegible] | [illegible] |
| Total | | | | | [illegible] | [illegible] |

### ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

| | Latest price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Jan | 25.55 | +1.08 | 25.62 | 24.45 | 35,502 | 55,425 |
| Feb | 24.95 | +0.87 | 25.05 | 24.00 | 27,466 | 80,082 |
| Mar | 24.40 | +0.60 | 24.42 | 23.62 | 4,548 | 30,080 |
| Apr | 23.80 | +0.49 | 23.80 | 23.15 | 2,882 | 19,825 |
| May | 23.30 | +0.74 | 23.30 | 22.73 | 2,216 | 18,415 |
| Jun | 22.70 | +0.59 | 22.70 | 22.11 | 3,216 | 28,422 |
| Total | | | | | [illegible] | [illegible] |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Jan | 24.14 | +0.81 | 24.14 | 23.44 | 8,386 | 13,184 |
| Feb | 23.60 | +0.82 | 23.60 | 22.95 | 14,906 | 59,226 |
| Mar | 23.18 | +0.88 | 23.18 | 22.41 | 2,481 | 32,005 |
| Apr | 22.46 | +0.71 | 22.46 | 21.89 | 1,962 | 14,753 |
| May | 21.85 | +0.62 | 21.85 | 21.38 | 202 | 10,123 |
| Jun | 21.30 | +0.65 | 21.36 | 21.00 | 451 | 11,862 |
| Total | | | | | [illegible] | [illegible] |

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

| | Latest price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Jan | 75.25 | +3.54 | 75.25 | 71.27 | 21,434 | 28,969 |
| Feb | 73.70 | +3.21 | 73.80 | 70.50 | 9,814 | 29,971 |
| Mar | 70.00 | +2.58 | 70.05 | 67.85 | 3,163 | 13,011 |
| Apr | 65.60 | +2.21 | 65.80 | 63.80 | 580 | 7,880 |
| May | 61.80 | +1.26 | 61.85 | 60.90 | 982 | 4,463 |
| Jun | 60.80 | +1.61 | 60.00 | 59.00 | 492 | 5,507 |
| Total | | | | | [illegible] | 168,972 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Jan | 222.50 | +17.25 | 222.75 | 216.50 | 10,407 | 28,940 |
| Feb | 215.25 | +14.00 | 215.75 | 210.25 | 4,173 | 11,585 |
| Mar | 207.25 | +12.75 | 207.50 | 202.75 | 1,481 | 8,222 |
| Apr | 199.50 | +11.00 | 199.75 | 194.75 | 482 | 5,824 |
| May | 192.25 | +10.00 | 192.00 | 189.75 | 130 | 2,928 |
| Jun | 187.75 | +9.50 | 187.50 | 184.50 | 154 | 7,482 |
| Total | | | | | [illegible] | 71,318 |

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

| | Latest price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Jan | 4.420 | +0.569 | 4.440 | 4.050 | [illegible] | 34,009 |
| Feb | 3.830 | +0.415 | 3.850 | 3.550 | [illegible] | 28,681 |
| Mar | 3.134 | +0.150 | 3.134 | 3.100 | [illegible] | 16,313 |
| Apr | 2.705 | +0.150 | 2.705 | 2.600 | [illegible] | 9,399 |
| May | 2.435 | +0.125 | 2.450 | 2.330 | [illegible] | 6,913 |
| Jun | 2.310 | +0.100 | 2.330 | 2.230 | [illegible] | 6,647 |
| Total | | | | | [illegible] | 158,270 |

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

| | Latest price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Jan | 69.00 | +1.56 | 69.05 | 67.00 | [illegible] | 20,032 |
| Feb | 68.15 | +1.78 | 68.30 | 66.30 | [illegible] | 18,624 |
| Mar | 68.05 | +1.75 | 68.05 | 66.85 | [illegible] | 9,677 |
| Apr | 69.50 | +1.55 | 69.50 | 68.45 | [illegible] | 4,475 |
| May | 68.45 | +1.05 | 68.55 | 67.90 | [illegible] | [illegible] |
| Jun | 66.90 | +0.96 | 66.90 | 66.70 | [illegible] | [illegible] |
| Total | | | | | [illegible] | 60,295 |

### GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Jan | 95.75 | -0.65 | 96.25 | 95.50 | 169 | 1,117 |
| Mar | 98.15 | -0.60 | 98.45 | 98.00 | 111 | 2,061 |
| May | 100.00 | -0.60 | 100.35 | 99.90 | 83 | 2,364 |
| Jul | 101.15 | -0.70 | 101.25 | 101.15 | 42 | 314 |
| Sep | 93.50 | -0.50 | - | - | - | [illegible] |
| Nov | 95.50 | -0.50 | 95.75 | 95.75 | 20 | [illegible] |
| Total | | | | | [illegible] | [illegible] |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Dec | 413.75 | +7.75 | 414.00 | 403.00 | [illegible] | [illegible] |
| Mar | 399.00 | +7.00 | 399.50 | 389.25 | [illegible] | [illegible] |
| May | 368.75 | +5.25 | 369.00 | 363.50 | [illegible] | [illegible] |
| Jul | 346.00 | +4.00 | 346.00 | 342.50 | [illegible] | [illegible] |
| Sep | 348.50 | +4.50 | 349.50 | 348.00 | [illegible] | [illegible] |
| Dec | 355.00 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Total | | | | | [illegible] | [illegible] |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Dec | 270.00 | +2.75 | 270.50 | 267.50 | [illegible] | [illegible] |
| Mar | 283.50 | +2.75 | 284.00 | 281.75 | [illegible] | [illegible] |
| May | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Jul | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sep | 282.25 | +2.75 | [illegible] | [illegible] | [illegible] | [illegible] |
| Dec | 280.50 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Total | | | | | [illegible] | [illegible] |

■ BARLEY LIFFE (£ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Jan | 94.25 | -0.75 | - | - | - | [illegible] |
| Mar | 95.75 | -0.75 | - | - | - | [illegible] |
| May | 97.00 | -0.75 | - | - | - | [illegible] |
| Sep | 93.00 | -0.60 | 93.00 | 93.00 | 5 | 3 |
| Nov | 95.00 | -0.60 | 95.00 | 95.00 | 15 | [illegible] |
| Total | | | | | [illegible] | [illegible] |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Jan | 711.50 | +7.25 | 712.00 | 703.50 | [illegible] | [illegible] |
| Mar | 707.00 | +6.25 | 708.00 | 701.00 | [illegible] | [illegible] |
| May | 704.25 | +6.00 | 705.00 | 699.50 | [illegible] | [illegible] |
| Jul | 705.75 | +6.75 | 706.00 | 699.50 | [illegible] | [illegible] |
| Aug | 703.00 | +8.00 | 703.00 | 698.00 | [illegible] | [illegible] |
| Sep | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Total | | | | | [illegible] | [illegible] |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Dec | 23.13 | -0.02 | 23.25 | 23.03 | [illegible] | [illegible] |
| Jan | 23.32 | -0.03 | 23.44 | 23.20 | [illegible] | [illegible] |
| Mar | 23.74 | -0.01 | 23.84 | 23.57 | [illegible] | [illegible] |
| May | 24.07 | -0.03 | 24.15 | 23.80 | [illegible] | [illegible] |
| Jul | 24.32 | -0.04 | 24.35 | 24.15 | [illegible] | [illegible] |
| Aug | 24.32 | -0.03 | 24.42 | 24.27 | [illegible] | [illegible] |
| Total | | | | | [illegible] | [illegible] |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Dec | 242.2 | +4.9 | 242.1 | 237.9 | [illegible] | [illegible] |
| Jan | 231.3 | +4.5 | 231.5 | 226.8 | [illegible] | [illegible] |
| Mar | 224.1 | +3.5 | 224.2 | 221.1 | [illegible] | [illegible] |
| May | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Jul | 218.4 | +2.7 | 218.5 | 215.5 | 1,556 | 10,708 |
| Aug | 217.0 | +2.7 | 217.0 | 215.0 | 13 | 2,050 |
| Total | | | | | [illegible] | [illegible] |

■ POTATOES LIFFE (£/tonne)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Mar | 52.0 | - | - | - | - | - |
| Apr | 62.0 | - | 63.0 | 62.5 | 3 | 1,250 |
| May | 64.0 | - | - | - | - | [illegible] |
| Jun | 74.0 | - | - | - | - | - |
| Apr | 113.0 | - | 112.5 | 112.0 | 5 | 555 |
| Total | | | | | 8 | [illegible] |

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Dec | 1520 | +10 | - | - | - | [illegible] |
| Jan | 1435 | +5 | 1475 | [illegible] | 61 | [illegible] |
| Feb | 1420 | +2 | 1486 | 1425 | 8 | 315 |
| Apr | 1492 | -6 | 1505 | 1485 | 17 | 651 |
| Jul | 1218 | -4 | 1225 | 1215 | 11 | 429 |
| Oct | 1329 | [illegible] | 1339 | 1339 | 5 | 95 |
| Total | | | | | [illegible] | [illegible] |

| | Close | Prev |
|---|---|---|
| BFI | 1507 | 1501 |

FUTURES DATA
*All futures data supplied by CMS.*

### SOFTS

■ COCOA LIFFE (£/tonne)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Dec | 880 | - | 885 | 866 | 42 | 145 |
| Mar | 913 | -7 | 920 | 910 | 1,926 | 40,580 |
| May | 933 | -6 | 940 | 930 | 367 | 17,064 |
| Jul | 951 | [illegible] | [illegible] | [illegible] | [illegible] | 12,298 |
| Sep | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8,283 |
| Dec | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 8,315 |
| Total | | | | | [illegible] | [illegible] |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Dec | 1362 | -5 | 1373 | 1358 | [illegible] | 39,223 |
| Mar | 1396 | -7 | [illegible] | [illegible] | [illegible] | 11,660 |
| May | 1419 | [illegible] | [illegible] | [illegible] | [illegible] | 7,337 |
| Jul | 1429 | [illegible] | [illegible] | [illegible] | [illegible] | 6,709 |
| Sep | 1446 | [illegible] | [illegible] | [illegible] | [illegible] | 1,396 |
| Dec | 1462 | -14 | - | - | [illegible] | 4,682 |
| Total | | | | | [illegible] | 78,778 |

■ COCOA (ICCO) (SDR's/tonne)

| Dec 13 | Price | Prev. day |
|---|---|---|
| Daily | 1020.24 | 1033.74 |

■ COFFEE LIFFE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Jan | 1338 | - | 1332 | 1310 | [illegible] | 13,859 |
| Mar | 1275 | -3 | 1281 | 1268 | [illegible] | 20,737 |
| May | 1241 | +1 | 1248 | 1224 | [illegible] | 6,472 |
| Jul | 1234 | -1 | 1238 | 1227 | [illegible] | 1,799 |
| Sep | 1224 | -1 | 1232 | 1225 | [illegible] | 984 |
| Nov | 1224 | -1 | 1230 | 1225 | [illegible] | 398 |
| Total | | | | | [illegible] | 44,221 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Dec | 124.50 | -4.60 | 129.25 | 124.00 | [illegible] | 427 |
| Mar | 109.95 | -1.25 | 112.50 | 108.39 | [illegible] | 15,697 |
| May | 107.40 | -0.90 | 108.75 | 106.25 | [illegible] | 6,443 |
| Jul | 105.75 | -1.25 | 108.25 | 104.70 | [illegible] | 1,958 |
| Sep | 103.75 | -1.25 | 105.75 | 103.60 | [illegible] | 1,477 |
| Dec | 101.85 | -1.10 | 104.00 | 101.85 | [illegible] | 1,098 |
| Total | | | | | [illegible] | 27,118 |

■ COFFEE (ICO) (US cents/pound)

| Dec 13 | Price | Prev. day |
|---|---|---|
| Comp. daily | [illegible] | 90.14 |
| 15 day average | [illegible] | 91.79 |

■ WHITE SUGAR LIFFE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Mar | 301.4 | -2.0 | 303.3 | 301.2 | [illegible] | 15,359 |
| May | 300.9 | -2.2 | [illegible] | [illegible] | [illegible] | 5,460 |
| Aug | 302.2 | -2.2 | [illegible] | [illegible] | [illegible] | 2,617 |
| Oct | 300.1 | -0.8 | - | - | - | 1,732 |
| Dec | 301.5 | -0.2 | - | - | - | 557 |
| Mar | 302.7 | -0.2 | - | - | - | 377 |
| Total | | | | | [illegible] | 26,155 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Mar | 10.85 | -0.17 | [illegible] | [illegible] | [illegible] | 79,889 |
| May | 10.64 | -0.15 | [illegible] | [illegible] | [illegible] | 30,382 |
| Jul | 10.69 | -0.11 | [illegible] | [illegible] | [illegible] | 22,212 |
| Oct | 10.69 | -0.11 | 10.70 | 10.67 | 183 | 12,727 |
| Mar | 10.70 | -0.11 | 10.71 | 10.68 | 786 | 3,643 |
| May | 10.69 | -0.11 | 10.75 | 10.75 | 92 | 335 |
| Total | | | | | 37,871 | 149,812 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Mar | 75.85 | -0.25 | 76.17 | 75.70 | 3,802 | 25,846 |
| May | 76.82 | -0.26 | 77.09 | 76.70 | 1,059 | 19,591 |
| Jul | 77.65 | -0.22 | 77.87 | 77.60 | 459 | 7,851 |
| Oct | 77.12 | -0.19 | 77.25 | 77.15 | 8 | 1,238 |
| Dec | 76.80 | -0.04 | 76.80 | 76.65 | 187 | 9,910 |
| Mar | 77.62 | -0.13 | - | - | 1 | 409 |
| Total | | | | | [illegible] | [illegible] |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Jan | 91.40 | -1.00 | 93.20 | 91.25 | 1,143 | 10,819 |
| Mar | 94.85 | -1.05 | 96.80 | 94.75 | 1,415 | 11,186 |
| May | 98.00 | -1.15 | 99.50 | 98.00 | 221 | 3,120 |
| Jul | 100.75 | -1.35 | 102.50 | 101.75 | 65 | 738 |
| Sep | 104.00 | -0.80 | 104.50 | 104.50 | 1 | 289 |
| Nov | 104.00 | - | 104.00 | 104.90 | 15 | 78 |
| Total | | | | | [illegible] | [illegible] |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Dec | 66.975 | +0.1 | 67.075 | 66.525 | 2,089 | 7,514 |
| Feb | 63.975 | +0.1 | 64.000 | 63.500 | 5,000 | 32,227 |
| Apr | 64.575 | - | 65.025 | 64.750 | 2,038 | 21,917 |
| Jun | 62.675 | -0.15 | 62.850 | 62.500 | 1,180 | 9,275 |
| Aug | 62.400 | -0.2 | 62.600 | 62.380 | 598 | 8,026 |
| Oct | 64.675 | -0.225 | 65.050 | 64.680 | 143 | 6,074 |
| Total | | | | | 11,322 | [illegible] |

■ LEAN HOGS CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Dec | 80.000 | +1.1 | 80.050 | 58.775 | 1,895 | 4,858 |
| Feb | 76.750 | -0.35 | 76.500 | 75.675 | 5,195 | 14,042 |
| Apr | 71.725 | -0.05 | [illegible] | 71.675 | [illegible] | [illegible] |
| Jun | 74.800 | +0.125 | 75.000 | [illegible] | [illegible] | 4,897 |
| Jul | 71.825 | - | 71.900 | 71.600 | 145 | 1,414 |
| Aug | 68.200 | - | 68.200 | 67.900 | 52 | 918 |
| Total | | | | | [illegible] | [illegible] |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Feb | 77.700 | -0.825 | 78.950 | 77.300 | 1,982 | 4,521 |
| Mar | 76.900 | -0.6 | 78.300 | 76.600 | 176 | 887 |
| May | 77.860 | -0.9 | 78.600 | 77.300 | 58 | 558 |
| Jul | 77.975 | -0.75 | 78.700 | 77.425 | 15 | 459 |
| Aug | 73.375 | -0.425 | 74.000 | 73.350 | 5 | 102 |
| Total | | | | | [illegible] | [illegible] |

### LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

| ■ ALUMINIUM (99.7%) LME | Jan | Apr | Jan | Apr |
|---|---|---|---|---|
| 1475 | 38 | [illegible] | 9 | 31 |
| 1500 | 18 | 66 | [illegible] | 41 |
| 1525 | 9 | 55 | 35 | 58 |
| **■ COPPER (Grade A) LME** | **Jan** | **Apr** | **Jan** | **Apr** |
| 2050 | 95 | 116 | 14 | 118 |
| 2100 | 51 | [illegible] | 30 | 145 |
| 2150 | [illegible] | 76 | 64 | 176 |
| **■ COFFEE LIFFE** | **Jan** | **Mar** | **Jan** | **Mar** |
| 1250 | 79 | 70 | 1 | 45 |
| 1300 | [illegible] | 46 | [illegible] | 71 |
| 1350 | [illegible] | 29 | 30 | 104 |
| **■ COCOA LIFFE** | **Mar** | **May** | **Mar** | **May** |
| 850 | 68 | 90 | 5 | 7 |
| 875 | 48 | 71 | 10 | 13 |
| 900 | 32 | 54 | 19 | 21 |
| **■ BRENT CRUDE IPE** | **Feb** | **Mar** | **Feb** | **Mar** |
| 2300 | 88 | - | 67 | - |
| 2350 | 66 | - | 100 | - |
| 2400 | 51 | - | - | - |

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

| | | |
|---|---|---|
| Dubai | $21.97-1.94w | |
| Brent Blend (dated) | $24.05-4.10 | +1.205 |
| Brent Blend (Feb) | $23.74-3.76 | |
| W.T.I. | $24.95-4.96w | |

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

| | | |
|---|---|---|
| Premium Gasoline | $222-224 | +3 |
| Gas Oil | $223-224 | +9 |
| Heavy Fuel Oil | $113-115 | |
| Naphtha | $210-221 | |
| Jet fuel | $253-254 | +8.5 |
| Diesel | $236-237 | +9 |

■ NATURAL GAS (Pence/therm)

| | | |
|---|---|---|
| Bacton (Jan) | 18.50-19.00 | -1.00 |

*Petroleum Argus. Tel. London (0171) 359 8792*

■ OTHER

| | | |
|---|---|---|
| Gold (per troy oz)♣ | $368.85 | -0.35 |
| Silver (per troy oz)♣ | 480.50c | -2.00 |
| Platinum (per troy oz.) | $367.75 | -0.50 |
| Palladium (per troy oz.) | $117.75 | +0.25 |
| Copper | 108.0c | -2.0 |
| Lead (US prod.) | 45.00c | |
| Tin (Kuala Lumpur) | 14.61r | -0.04 |
| Tin (New York) | 289.50 | -1.00 |
| Cattle (live weight) | 109.90p | +3.61* |
| Sheep (live weight) | 132.94p | -3.09* |
| Pigs (live weight)† | 80.16p | -7.73* |
| Lon. day sugar (raw) | $284.40 | +4.60 |
| Lon. day sugar (wte) | $307.00 | +2.30 |
| Barley (Eng. feed) | Unq | |
| Maize (US No3 Yellow) | 127.0 | |
| Wheat (US Dark North) | Unq | |
| Rubber (Jan)♥ | 80.50p | |
| Rubber (Feb)♥ | 80.50p | |
| Rubber (KL RSS No1) | 319.0z | +1.0 |
| Coconut Oil (Phil)§ | $795.0y | |
| Palm Oil (Malay.)§ | 550.0x | -35.0 |
| Copra (Phil)§ | 495.0 | |
| Soyabeans (US) | 195.0z | |
| Cotton Outlook'A' index | 79.80 | -0.05 |
| Wooltops (64s Super) | 395p | -7 |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. x Feb y Dec/Jan ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 946 head of pigs sold. ♦ New month of January.

**Tea**

There was good demand reports the Tea Brokers' Association. Landed better liquoring Assams sold well and often appreciated while others were about steady. Brightest East Africans advanced but mediums showed an easier tendency. Offshore there was good competition at fully firm rates. Quotations: Landed best available 202p/kg. Good 130p/kg. Good medium 125p/kg. Medium 114p/kg. Low medium nq. The highest price realised this week was 202p/kg for a Rwanda.

**VOLUME DATA**
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

### INDICES

■ Reuters (Base: 18/9/31 = 100)

| Dec 16 | Dec 13 | month ago | year ago |
|---|---|---|---|
| 1865.6 | 1864.9 | 1870.6 | 2133.4 |

■ CRB Futures (Base: 1967 = 100)

| Dec 13 | Dec 12 | month ago | year ago |
|---|---|---|---|
| 243.78 | 241.75 | | |

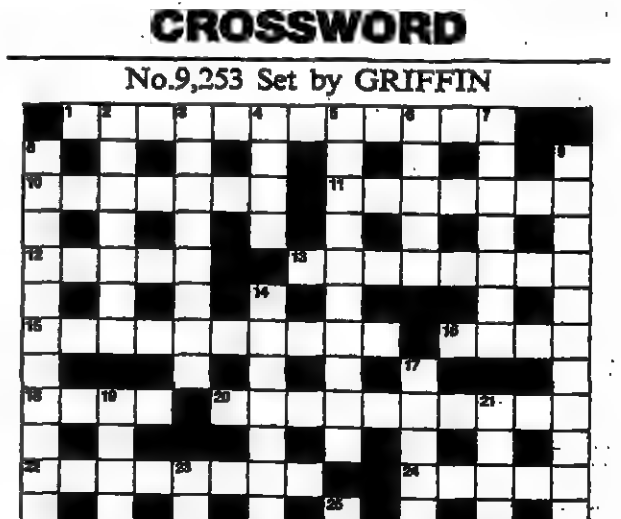
■ GSCI Spot (Base: 1970 = 100)

| Dec 13 | Dec 12 | month ago | year ago |
|---|---|---|---|
| 217.76 | 212.20 | 234.07 | 194.77 |

**JOTTER PAD**

## CROSSWORD

No.9,253 Set by GRIFFIN



**ACROSS**

1 Drunken reveller can hail a cab travelling north (12)
10 Unnecessary, pointless, one-eyed joiners? (7)
11 Care: oil damages heat unit (7)
12 Frighten a trainee member (5)
13 Skilled performer needing objets d'art rings round (8)
15 Using raw egg as fresh fruit (10)
16 Invites for a weekend on board (4)
18 Some teas you'll supply with a piece of cake (4)
20 A clever tin designed for support, one end fixed (10)
22 Wild eagle, once overhead, lacks grace (8)
24 Hands back coin found in fish (5)
26 School period in one of several stations (7)
27 Feeling round cogwheel (7)
28 Do icing sugar shapes become depressing? (12)

**DOWN**

2 A number agree to differ, being mean (7)
3 US state with a source of pink powder (8)
4 When student's in love too (4)
5 Cite charts prepared for planners (10)
6 Home hired by mouth of creek (5)
7 Apprehensive engineers over in the Rising Sun (7)
8 Foul chaps having back street affairs (13)
9 Giving proof of evil spirit starting trouble (13)
14 A monarch is refusing liquor (10)
17 Red, black and green with fashionable glass top (8)
19 Guided horse about to be impounded (7)
21 Type no vicar is admitting standing for (7)
23 A spinster could be wrong (5)
25 A party, if not way out! (4)

Solution to Saturday's prize puzzle on Saturday December 28.
Solution to yesterday's prize puzzle on Monday December 30.

# FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

**Fidelity Currency Funds Ltd**
Pembroke Hall, Pembroke, Bermuda
UK: Fidel Advisers 0800 414181 · Jersey: 01534 71696
Private Clients 0800 414161 · 00 352 250404 236
From O'seas (44) 1732 777377 · Hong Kong (852) 848 1000

| | Init Charge | Selling Price | Buying Price | +or- | Yield Gr's |
|---|---|---|---|---|---|
| A$ Accum | | A$18.280 | | +0.007 | 6.20 |
| ASch Accum | | Sch249.97 | | +0.07 | 2.10 |
| C$ Accum | | C$16.765 | | +0.001 | 2.20 |
| DM Accum | | DM28.426 | | +0.001 | 1.90 |
| DFl Accum | | Dfl31.729 | | +0.001 | 1.70 |
| ECU Accum | | Ecu13.554 | | +0.001 | 3.60 |
| FFr Accum | | FFr87.280 | | +0.004 | 2.20 |
| HK$ Accum | | HK$122.03 | | +0.02 | 4.20 |
| Lire Accum | | L23858 | | +4 | 6.80 |
| NZ$ Accum | | NZ$40.384 | | +0.005 | 7.80 |
| NKr Accum | | NKr112.05 | | +0.01 | 3.00 |
| S$ Accum | | S$26.128 | | +0.002 | 2.30 |
| SPta Accum | | Pta2759.5 | | +0.4 | 6.70 |
| £ Accum | | £13.223 | | +0.002 | 6.10 |
| SKr Accum | | SKr121.75 | | +0.01 | 3.10 |
| SFr Accum | | SFr29.411 | | — | 0.50 |
| US$ Accum | | $23.871 | | +0.002 | 4.40 |
| Yen Accum | | Y2080.8 | | — | 0.10 |

Prices for dealing December 16

**Jupiter Tyndall (Bermuda) Ltd**

[illegible]

### BERMUDA (REGULATED)(**)

[illegible]

### GUERNSEY (SIB RECOGNISED)

[illegible]

**Prudential Fund Managers (Guernsey) Ltd**
Po Box 61, St Peter Port Guernsey 01481 707000

[illegible]

**Rothschild Asset Management (CI) Ltd**
PO Box 242, St Peter Port, Guernsey

[illegible]

### GUERNSEY (REGULATED)(**)

[illegible]

### IRELAND (SIB RECOGNISED)

[illegible]

### IRELAND (REGULATED)(**)

[illegible]

### ISLE OF MAN (SIB RECOGNISED)

[illegible]

### ISLE OF MAN (REGULATED)(**)

[illegible]

### JERSEY (SIB RECOGNISED)

[illegible]

### JERSEY (REGULATED)(**)

[illegible]

**Harvey Johnstone (Dublin) Ltd**

[illegible]

**Baring Mutual (Ireland) Ltd**

[illegible]

Offshore Funds and Insurances

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Worldinvest (Managers) Jersey Ltd

## LUXEMBOURG (SIB RECOGNISED)

Fidelity Funds - Contd.

Mercury Asset Management S.A.

## LUXEMBOURG (REGULATED)(**)

Aetos International Umbrella Fund (n)

Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Southern International SICAV

State Street Luxembourg SA

CMI Ins Co Ltd/Clerical Med Gen Life

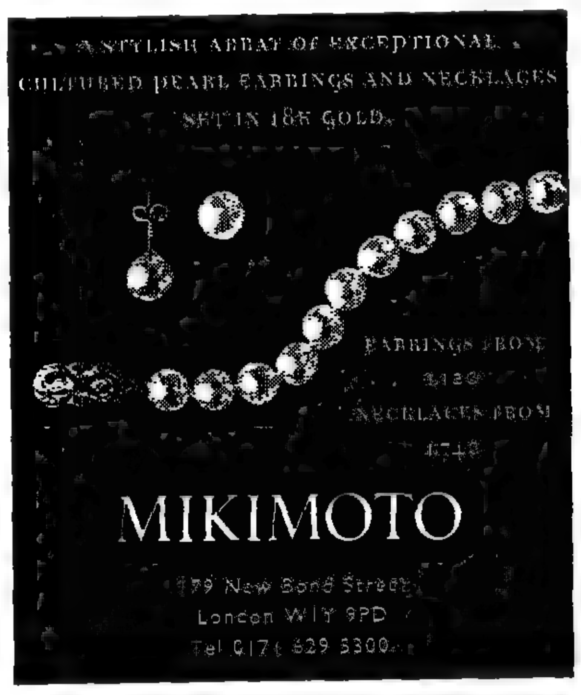
## OFFSHORE INSURANCES

هكذا من الأصل

# FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.



## OTHER OFFSHORE FUNDS

## MANAGED FUNDS NOTES

# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

| | Notes | Price | + or - | 52 week high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Allied Domecq | | 423xd | +3½ | 556 | 414 | 4,389 | 7.0 | 12.8 |
| Bulmer (HP) | | 542½ | — | 625 | 477 | 288.4 | 3.2 | 18.0 |
| Burn Str Dist | | 71 | — | 138 | 67½ | 42.1 | 6.0 | 75.5 |
| Glenmorangie A | | 847½xd | — | 855 | 615 | 98.7 | 1.8 | 27.1 |
| Grand Met | | 441½ | +8½ | 486 | 411 | 9,280 | 4.6 | 13.9 |
| Guinness | | 488 | +3½ | 493 | 425 | 8,453 | 4.4 | 13.6 |
| Highland | | 340xd | — | 378 | 315 | 453.2 | 3.1 | 16.4 |
| 5¾pc Cnv Bds | | 97¼ | | 101½ | 94¼ | - | - | - |
| Kirin Y | | 609¼ | +2½ | 879¼ | 605½ | 6,413 | 1.0 | 22.9 |
| Matthew Clark | | 281 | +1 | 803 | 256½ | 231.0 | 11.5 | 12.4 |
| Merrydown | | 107½xd | -½ | 141 | 91½ | 11.7 | 5.3 | 14.5 |
| Seagram S | | £23⅛ | -⅛ | £26⅝ | £20⅛ | 6,381 | 1.2 | - |

## BANKS, MERCHANT

| | Notes | Price | + or - | 52 week high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Barings 9pc Cm 3rd Pf | | 50½ | — | 50½ | 50½ | 6.31 | 19.8 | - |
| Cater Allen | | 381½xd | — | 402 | 360 | 124.4 | 9.8 | 15.1 |
| Close Bros | | 316 | — | 332 | 307½ | 381.7 | 4.0 | 12.7 |
| Gerrard & Nat | | 271 | -4 | 472 | 260 | 132.5 | 10.6 | 11.0 |
| Hambros | | 224½xd | — | 267½ | 195 | 397.6 | 4.2 | 19.0 |
| 7½pc Cv Pf | | 107 | — | 119 | 96¼ | 137.8 | 9.1 | - |
| King & Shaxson | | 182½xd | — | 197 | 135 | 48.2 | 6.2 | 20.4 |
| Leopold J | | 465xd | +4½ | 485 | 405 | 24.8 | 5.2 | 27.5 |
| Rea Brothers | | 60½ | — | 67 | 49½ | 29.3 | 2.1 | 23.8 |
| Schroders | | 1502½ | -3½ | 1547½ | 1185 | 2,298 | 1.5 | 17.1 |
| N/V | | 1282½ | -5 | 1285 | 890 | 577.1 | 1.7 | 14.6 |
| Singer & Fried | | 128 | — | 135 | 99½ | 256.6 | 4.2 | 9.4 |
| 8½pc Cv Ln 09/14 | | £150½ | — | £159 | £123 | 48.2 | 5.6 | - |

[illegible]

## BANKS, RETAIL

[illegible]

## BREWERIES, PUBS & REST

[illegible]

## BUILDING & CONSTRUCTION

[illegible]

## BUILDING MATS. & MERCHANTS

[illegible]

## CHEMICALS

[illegible]

## CHEMICALS - Cont.

[illegible]

## DISTRIBUTORS

[illegible]

## DIVERSIFIED INDUSTRIALS

[illegible]

## ELECTRICITY

[illegible]

## ELECTRONIC & ELECTRICAL EQPT

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING - Cont.

[illegible]

## ENGINEERING, VEHICLES

[illegible]

## EXTRACTIVE INDUSTRIES

[illegible]

## EXTRACTIVE INDUSTRIES - Cont.

[illegible]

## FOOD PRODUCERS

[illegible]

## FOOD PRODUCERS - Cont.

[illegible]

## GAS DISTRIBUTION

[illegible]

## HEALTH CARE

[illegible]

## HOUSEHOLD GOODS

[illegible]

## HOUSEHOLD GOODS - Cont.

[illegible]

## INSURANCE

[illegible]

## INVESTMENT TRUSTS

[illegible]

## INVESTMENT TRUSTS - Cont.

[illegible]

## INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الاصل

## LONDON SHARE SERVICE

### INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

### OTHER INVESTMENT TRUSTS

[illegible]

### INVESTMENT COMPANIES

[illegible]

### LEISURE & HOTELS

[illegible]

### LIFE ASSURANCE

[illegible]

### LIFE ASSURANCE - Cont.

[illegible]

### MEDIA

[illegible]

### OIL EXPLORATION & PRODUCTION

[illegible]

### OIL, INTEGRATED

[illegible]

### OTHER FINANCIAL

[illegible]

### PAPER, PACKAGING & PRINTING

[illegible]

### PAPER, PACKAGING & PRINTING - Cont.

[illegible]

### PHARMACEUTICALS

[illegible]

### PROPERTY

[illegible]

### PROPERTY - Cont.

[illegible]

### RETAILERS, FOOD

[illegible]

### RETAILERS, GENERAL

[illegible]

### SUPPORT SERVICES

[illegible]

### SUPPORT SERVICES - Cont.

[illegible]

### TELECOMMUNICATIONS

[illegible]

### TEXTILES & APPAREL

[illegible]

### TEXTILES & APPAREL - Cont.

[illegible]

### TOBACCO

[illegible]

### TRANSPORT

[illegible]

### WATER

[illegible]

### AIM

[illegible]

### AIM - Cont.

[illegible]

### AMERICANS

[illegible]

### CANADIANS

[illegible]

### SOUTH AFRICANS

[illegible]

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculation are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on prospectus or other official estimates for 1996. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a

FD (Foreign Income Dividend) R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xcd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

### ♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT8533. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

### FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.

Company Focus (FT news) £6.45.

Focus Plus (FT and Investors Chronicle news) £10.95.

To order, call 0121 200 4678.

Reports published by ShareFinder Ltd.

### FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

Calls charged at 45p per minute cheap rate and 50p per minute at all other times.

An International service is available for callers outside the UK, annual subscription £250 stg.

Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the Internet at http://www.FT.com.

## LONDON STOCK EXCHANGE

# Footsie closes just short of the 4,000 level

MARKETS REPORT

By Steve Thompson,
UK Stock Market Editor

The appearance of a couple of domestic takeover bids, a good early showing by global bonds and a reassuring performance by Wall Street saw London equities regain some of the composure lost over the past couple of weeks.

The FTSE 100 index, having launched an ultimately unsuccessful attempt to clamber back over 4,000, nevertheless ended the session 21.4 points higher at 3,993.8, the best of the day.

And the much healthier climate in the leaders quickly spread to the rest of the market, where the FTSE 250 index settled 12.9 ahead at 4,371.2 and the FTSE SmallCap 3.6 at 2,132.0.

There was an element of unease in gilts which came under pressure late in the session, ahead of last night's fisheries policy vote in the House of Commons, which traders worried could be close.

Gilts were additionally unsettled by economic news from the US, notably a stronger-than-expected industrial production figure for November.

Overall, dealers said they had been surprised by the UK market's resilience, but pointed to the growing feeling that further takeover action in London might not be too far away.

Although much of the early talk in London was about the multi-billion dollar merger between Boeing and McDonnell Douglas, there was no shortage of UK bid speculation.

News of the merger of Lloyd Thompson and JIB, two of the second-tier insurance brokers, was immediately followed by a burst of intense activity in Willis Corroon and Sedgwick, the UK's two biggest.

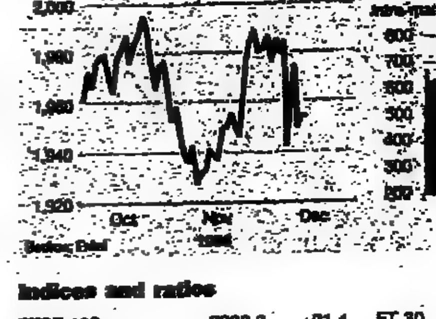
The latter two stocks were hammered last week in the wake of the merger of Aon Corporation and Alexander and Alexander of the US, which was seen as removing two potential predators. But the feeling is that more moves could be imminent in the UK insurance sector; Commercial Union and Guardian Royal Exchange were both bid aggressively higher late in the day.

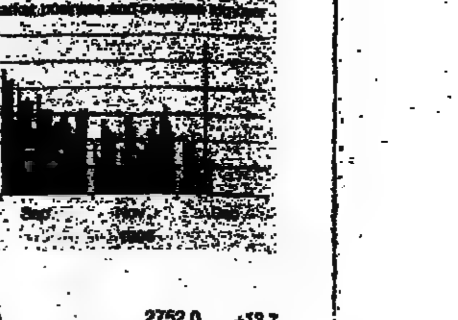
Marketmakers said they expected the big institutions to try to keep Footsie within sight of 4,000 for year end. One said: "4,000 is seen as pretty much good news for everybody; but I wouldn't ignore the possibility of more big moves before they bring the curtain down on 1996."

Lehman Brothers, the US broker, has adopted a more bullish stance towards UK equities, moving its recommended weighting from neutral to overweight within a pan-European equity portfolio.

Strategists at Lehman said: "UK equities look cheaply valued relative to gilts and this stands in marked contrast to the position elsewhere in Europe where the bulk of equity markets look expensive compared with bonds." Lehman expects a 12-month total return of 21 per cent from the UK, expressed in dollars, compared with 9 per cent for Europe ex-UK; this translates into a year-end Footsie target of 4,600.

Volume at 6pm was 649.1m shares. Friday's customer business was worth £895.6m.





### Indices and ratios

| | | | | | |
|---|---|---|---|---|---|
| FTSE 100 | 3993.8 | +21.4 | FT 30 | 2752.0 | +13.7 |
| FTSE 250 | 4371.2 | +12.9 | FTSE Non-Fins p/e | 17.72 | 17.65 |
| FTSE 350 | 1983.5 | +9.8 | FTSE 100 Fut Dec | 3989.0 | +27.0 |
| FTSE All-Share | 1955.20 | +8.03 | 10 yr Gilt yield | 7.65 | 7.66 |
| FTSE All-Share yield | 3.86 | 3.88 | Long gilt/equity yld ratio | 1.98 | 2.01 |

### Best performing sectors

1. Extractive Inds +1.7
2. Retailers: Food +1.6
3. Insurance +1.6
4. Diversified Inds +1.6
5. Alcoholic Beverages +1.2

### Worst performing sectors

1. Tobacco -2.2
2. Textiles & Apparel -0.8
3. Gas Distribution -0.8
4. Breweries: Pubs & Rest -0.6
5. Electronic & Elec -0.3

# Shell loses ground

Shell Transport slipped 3¼ to 982p as analysts came away from a high-profile, two-day presentation in London and New York with mixed feelings.

On the bull side, Mr Fergus MacLeod of NatWest Securities said: "We are more convinced than ever before that the market is underestimating the scale of change under way in Shell and its implications for earnings and dividend growth."

Nevertheless, Mr MacLeod favours the Royal Dutch arm because of the impact of sterling's recent strength on Shell Transport's earnings.

Meanwhile, Mr John Toalster of SGST said that while the management gave a "forceful and wide-ranging presentation", the signals about future change were "evolutionary rather than revolutionary."

News of a merger among two insurance brokers revitalised the prospect of consolidation among the sector leaders.

Lloyd Thompson and JIB agreedmerger terms in a deal expected to produce big cost savings.

Lloyd Thompson added 1½ at 174p while JIB, floated at 210p five years ago, rose 21 to 130p.

Sedgwick and Willis Corroon were both moved higher as the market speculated about an offer from the US. The perceived bidders are said to be the new Aon or Marsh & McLennan. Sedgwick gained 5½ to 132p, analysts suggesting that based on the price Aon paid for rival Alexander & Alexander, the price for Sedgwick would be about 160p per share. Willis rose 4 to 135½p.

The bulls of British Aerospace finally gained the upper hand as analysts tried to establish the implications of the proposed merger between Boeing and McDonnell Douglas which will create the world's leading aerospace and defence company.

Shares in BAe hardened at the start of the session but then fell back sharply as the bears pointed to stiffer competition for the European Airbus consortium. BAe not only builds the wings on the Airbus aircraft but also holds a 20 per cent stake in the consortium.

However, the optimists finally won the day and the shares eventually closed 11 ahead at 1136½p with some 2.5m having been dealt. Analysts suggested the deal was favourable for BAe because, "not only does this (deal) remove McDonnell Douglas as a competitor for Airbus, but it could also force Airbus to become an independent company that operates without government intervention".

Bass, quoted ex-dividend, hardened 3¾ to 799p after it announced the sale of 47 Holiday Inns and 14 hotel management contracts to Bristol Hotel Company in return for a 36.1 per cent stake in the company and $391m of debt and cash repayments. The total transaction is valued at around $660m. Several analysts described the deal as a good one although it is marginally dilutive. They said the next issue was what Bass did with the cash, with some suggesting a special dividend as one alternative.

Gibbs Mew, the regional brewing and pubs company, weakened 89 to 210p after poor interim results and a warning that full year results would be disappointing.

A number of food retailers, generally perceived as defensive stocks, strengthened including Tesco, which gained 3¼ to 348½p and Safeway which rose 7 to 389p. J Sainsbury climbed 9 to 363p, with some speculation that sales were improving on the back of its Reward loyalty card. In the autumn, the card started offering extra points on a number of items. Asda continued to rise, strengthening 2¼ to 124p ahead of interim figures – expected to be at the top end of forecasts – on Thursday.

Rank Group strengthened 6 to 433½p ahead of Thursday's trading update while Capital Corporation weakened 13 to 157p after a broker's downgrade last week. One analyst said the stock was trying to find a level.

BSkyB, the satellite television broadcaster, was one of the Footsie top guns on the back of a positive press report and an OFT statement.

The article in the financial press said BSkyB would decide within the next few days to push ahead with the digital satellite television revolution by spending some £200m on decoder boxes.

Then, later in the afternoon, the Office of Fair Trading approved a revised rate card for the supply of BSkyB channels to broadband cable operators.

Analysts said there had been a feeling that the broadcaster had veered from its targets and yesterday's news showed it was back on track. The shares, which had fallen 31 per cent since hitting their peak in mid-October, bounced 13 to 489½p.

Pearson improved 7 to 701p ahead of an eagerly awaited statement from the company tomorrow. Most of Pearson's profits are weighted towards the second half and, consequently, the statement will give analysts the first genuine opportunity to gain an insight to this year's trading. However, Pearson – which owns the Financial Times – is said to be concerned about too much hope creeping into the share price.

Caradon, the building materials group, strengthened 5 to 241½p with Merrill Lynch upgrading its estimates for the current year by £3m to £176m and by £2m to £191m in 1997. Merrill Lynch said that this was a reflection of an underlying improvement in the UK boiler market and the US doors and windows business.

Hepworth weakened 8½ to 250p with a couple of analysts' downgrading, including Merrill Lynch, which trimmed its estimates from £71m to £69m this year and from £81m to £73m next year.

Scotia Holdings jumped 30 to 642½p after the pharmaceuticals company said its Foscan compound to treat head and neck cancer received 'Investigational New Drug' status from the US Food and Drug Administration. The company said the approval paved the way for a US clinical trial of Foscan to begin in the second quarter of 1997.

Shire Pharmaceuticals lifted 8½ to 202½p on the back of positive clinical studies for two of its products and licensing deals for its BetaRange of hormone replacement therapy products.

Commercial Union, which spiked higher late on Friday afternoon on a spattering of end-of-week takeover talk, rose a further 15 to 680p yesterday on healthy turnover of 6m shares.

Dealers reported a shortage of stock in British Airways which helped send the shares sharply ahead. They closed 10 up at 586½p, with a mere 1.1m having been dealt by the close.

### FT 30 INDEX

| | Dec 16 | Dec 13 | Dec 12 | Dec 11 | Dec 10 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT 30 | 2752.0 | 2738.3 | 2756.7 | 2751.7 | 2782.9 | 2605.1 | 2885.2 | 2688.6 |
| Ord. div. yield | 4.15 | 4.17 | 4.14 | 4.14 | 4.09 | 4.07 | 4.22 | 3.76 |
| P/E ratio net | 16.64 | 16.55 | 16.66 | 16.67 | 16.86 | 15.57 | 17.46 | 15.80 |
| P/E ratio nil | 16.48 | 16.39 | 16.50 | 16.52 | 16.71 | 15.37 | 17.30 | 15.71 |

FT 30 since compilation: high 2885.2 10/04/96; low 49.4 26/06/40. Base Date: 1/7/35

FT 30 hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2742.8 | 2747.2 | 2753.0 | 2748.7 | 2749.3 | 2753.9 | 2751.3 | 2742.4 | 2745.1 | 2754.2 | 2738.6 |

| | Dec 16 | Dec 13 | Dec 12 | Dec 11 | Dec 10 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 32,705 | 30,541 | 30,880 | 34,836 | 36,321 | 27,079 |
| Equity turnover (£m)† | – | 885.6 | 945.3 | 1387.9 | 1337.9 | 1461.5 |
| Equity bargains† | – | 15,827 | 15,983 | 17,601 | 19,395 | 31,579 |
| Shares traded (m)† | – | 325.5 | 332.3 | 410.1 | 774.5 | 571.2 |

†Excluding intra-market and Crest business and overseas turnover.

| | Dec 16 | Dec 13 | Dec 12 | Dec 11 | Dec 10 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FTSE AIM | 1015.60 | 1013.50 | 1017.90 | 1018.60 | 1022.10 | – | 1140.40 | 965.70 |

© FTSE International Limited 1996. All rights reserved. *For 1996.

### London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 602 | Total Highs | 34 | Total contracts | 46,130 |
| Total Falls | 508 | Total Lows | 56 | Calls | 24,760 |
| Same | 1,473 | | | Puts | 21,370 |

Dec 16 *Data based on Equity shares listed on the London Share Service.

### FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 3983.0 | 3989.0 | +31.0 | 4000.0 | 3968.0 | 15121 | 37582 |
| Mar | 4002.0 | 4003.5 | +32.0 | 4010.5 | 3986.0 | 5232 | 28805 |
| Jun | - | 4024.0 | +30.0 | - | - | 0 | 2269 |

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 4373.0 | 4373.0 | -0.5 | 4373.0 | 4373.0 | 100 | [illegible] |
| Mar | 4423.0 | 4426.0 | +0.5 | 4426.0 | 4423.0 | 100 | [illegible] |

■ FTSE 100 INDEX OPTION (LIFFE) (*3990) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

### LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt cap (£m) | 1996 High | 1996 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| §70 | F.P. | 18.5 | 84½ | 72½ | Advanced Power | [illegible] | | | | | |
| * | F.P. | 10.2 | 100 | 100 | †Archer Dedicated | [illegible] | | | | | |
| §135 | F.P. | 84.6 | 174½ | 152½ | Car Group | [illegible] | | | | | |
| §200 | F.P. | 39.6 | 246 | 227½ | Cedcentre | [illegible] | | | | | |
| §115 | F.P. | 4.27 | 122½ | 120½ | †Dawn Til Dusk | [illegible] | | | | | |
| §92 | F.P. | 8.26 | 97½ | 97½ | Exeter Inv | [illegible] | | | | | |
| – | F.P. | 61.4 | 823¾ | 812 | Finsbury Int Hedge | [illegible] | | | | | |
| 115 | F.P. | 13.9 | 130½ | 122½ | †Future Int Tele | [illegible] | | | | | |
| * | F.P. | 69.2 | 188 | 117½ | Grantchester | [illegible] | | | | | |
| § | F.P. | 51.4 | 98 | 92½ | Henderson Tech | [illegible] | | | | | |
| § | F.P. | 3.67 | 38½ | 26½ | Do Warrants | [illegible] | | | | | |
| § | F.P. | 82.3 | 333½ | 327½ | Do C | [illegible] | | | | | |
| | F.P. | 7.74 | 94½ | 87½ | †Highams Systems | [illegible] | | | | | |
| §50 | F.P. | 5.81 | 52½ | 47½ | †Kam River | [illegible] | | | | | |
| §170 | F.P. | 86.6 | 185½ | 172½ | Kier Group | [illegible] | | | | | |
| §135 | F.P. | 26.4 | 142½ | 130½ | Oliver Ashworth | [illegible] | | | | | |
| – | F.P. | 32.2 | 51½ | 42½ | †Oxford Biomedica | [illegible] | | | | | |
| §85 | F.P. | 17.1 | 80 | 66½ | Parkwood | [illegible] | | | | | |
| § | F.P. | 14.4 | 70½ | 64½ | †Pilat Tech Intl | [illegible] | | | | | |
| 125 | F.P. | 21.9 | 135½ | 122½ | Provend | [illegible] | | | | | |
| §160 | F.P. | 60.5 | 178½ | 160 | SDX Business Sys | [illegible] | | | | | |
| §125 | F.P. | 33.5 | 139½ | 130½ | Scot Highland Ht | [illegible] | | | | | |
| § | F.P. | 9.06 | 112½ | 110½ | Second St David | [illegible] | | | | | |
| § | F.P. | 1.02 | 10½ | 9½ | Do Residual Cap | [illegible] | | | | | |
| § | F.P. | 10.9 | 185 | 183 | Do Zero Div Prf | [illegible] | | | | | |
| §180 | F.P. | 16.8 | 226½ | 202 | Semple Cochrane | [illegible] | | | | | |
| – | F.P. | 7.94 | 179½ | 157½ | †Yeoman Group | [illegible] | | | | | |

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

### FT GOLD MINES INDEX

| | Dec 13 | % chg on day | Dec 12 | Year ago | Gross div yield % | P/E ratio | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (32) | [illegible] | –1.1 | [illegible] | [illegible] | [illegible] | – | [illegible] | [illegible] |
| ■ Regional Indices | | | | | | | | |
| Africa (14) | 2133.08 | –1.1 | 2156.88 | 2506.24 | 3.07 | 30.87 | [illegible] | 2133.08 |
| Australasia (8) | 2070.27 | –2.0 | 2113.04 | 2408.18 | 2.71 | 20.58 | 2827.34 | 2005.76 |
| North America (12) | 1714.03 | –1.0 | 1730.98 | 1682.28 | 0.76 | 86.71 | 2186.39 | 1648.45 |

Copyright, FTSE International Limited 1996. All rights reserved. Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

### FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

| | Dec 16 | Day's chge% | Dec 13 | Dec 12 | Dec 11 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 3993.8 | +0.5 | 3972.4 | 3990.7 | 3982.5 | 3585.1 | 3.99 | 2.03 | 15.47 | 169.76 | 1689.21 |
| FTSE 250 | 4371.2 | +0.3 | 4358.3 | 4379.5 | 4366.8 | 3954.0 | 3.62 | 1.60 | 23.03 | 174.58 | 1788.76 |
| FTSE 250 ex IT | 4412.3 | +0.3 | 4399.0 | 4417.8 | 4404.4 | 3968.0 | 3.71 | 1.52 | 22.08 | 183.37 | 1809.80 |
| FTSE 350 | 1983.5 | +0.5 | 1973.9 | 1983.1 | 1978.7 | 1787.7 | 3.91 | 1.92 | 16.63 | 83.28 | 1693.50 |
| FTSE 350 Higher Yield | 1900.8 | +0.3 | 1895.1 | 1900.3 | 1895.6 | 1782.4 | 5.19 | 1.79 | 13.44 | 105.17 | 1369.27 |
| FTSE 350 Lower Yield | 2073.6 | +0.7 | 2060.1 | 2073.3 | 2072.1 | 1797.8 | 2.75 | 2.14 | 21.19 | 61.97 | 1458.05 |
| FTSE SmallCap | 2132.00 | +0.2 | 2128.39 | 2138.67 | 2137.42 | 1941.61 | 3.24 | 1.57 | 24.56 | 68.98 | 1779.77 |
| FTSE SmallCap ex IT | 2133.33 | +0.2 | 2129.51 | 2137.70 | 2136.35 | 1920.81 | 3.45 | 1.64 | 22.12 | 73.18 | 1794.12 |
| FTSE All-Share | 1955.20 | +0.5 | 1946.17 | 1955.25 | 1951.14 | 1763.33 | 3.88 | 1.90 | 17.04 | 80.69 | 1694.64 |

■ FTSE Actuaries Industry Sectors

| | Dec 16 | Day's chge% | Dec 13 | Dec 12 | Dec 11 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(23) | 3809.70 | +0.8 | 3787.26 | 3780.88 | 3797.39 | 3203.67 | 3.74 | 1.71 | 19.54 | 142.81 | 1689.89 |
| 12 Extractive Industries(8) | 4043.08 | +1.7 | 3975.64 | 4008.66 | 4019.48 | 4248.89 | 4.01 | 2.66 | 11.71 | 182.00 | 1205.04 |
| 15 Oil, Integrated(3) | 3937.87 | +0.4 | 3922.75 | 3903.06 | 3924.65 | 3234.51 | 3.92 | 1.55 | 20.56 | 154.36 | 1773.57 |
| 16 Oil Exploration & Prod(14) | 2916.80 | +0.9 | 2891.08 | 2930.12 | 2921.43 | 2081.45 | 1.81 | 1.73 | 39.98 | 53.64 | 1788.39 |
| 20 GEN INDUSTRIALS(275) | 1951.50 | +0.3 | 1945.64 | 1958.27 | 1955.92 | 1905.87 | 4.40 | 1.64 | 17.27 | 84.28 | 1091.50 |
| 21 Building & Construction(34) | 1164.86 | +0.3 | 1161.32 | 1172.64 | 1169.51 | 1022.24 | 3.62 | 1.56 | 22.18 | 40.70 | 893.56 |
| 22 Building Matls & Merchs(29) | 1756.29 | +0.6 | 1745.51 | 1760.49 | 1761.38 | 1775.52 | 4.42 | 1.40 | 20.20 | 77.74 | 907.66 |
| 23 Chemicals(25) | 2315.52 | –0.2 | 2320.86 | 2339.45 | 2349.28 | 2299.64 | 4.44 | 1.43 | 19.67 | 102.40 | 1124.34 |
| 24 Diversified Industrials(18) | 1434.18 | +1.6 | 1411.95 | 1418.63 | 1421.19 | 1711.04 | 7.09 | 1.64 | 11.48 | 94.10 | 829.81 |
| 25 Electronic & Elect Equip(36) | 2215.10 | –0.3 | 2221.24 | 2222.01 | 2214.19 | 2093.03 | 3.56 | 1.34 | 26.09 | 78.28 | 1175.65 |
| 26 Engineering(71) | 2540.19 | +0.1 | 2536.42 | 2555.37 | 2543.39 | 2109.57 | 3.24 | 2.30 | 16.81 | 81.67 | 1571.39 |
| 27 Engineering, Vehicles(14) | 3062.53 | –0.2 | 3067.71 | 3100.83 | 3092.48 | 2446.61 | 3.53 | 1.71 | 20.68 | 103.02 | 1616.47 |
| 28 Paper, Pckg & Printing(28) | 2445.34 | –0.2 | 2449.94 | 2457.67 | 2448.35 | 2488.30 | 4.24 | 1.80 | 16.37 | 100.35 | 1041.50 |
| 29 Textiles & Apparel(19) | 1025.25 | –0.8 | 1033.80 | 1048.95 | 1058.39 | 1421.54 | 6.96 | 1.15 | 15.58 | 70.34 | 648.58 |
| 30 CONSUMER GOODS(89) | 3702.39 | ..... | 3703.29 | 3720.76 | 3700.86 | 3550.26 | 3.93 | 1.95 | 16.28 | 148.20 | 1399.84 |
| 32 Alcoholic Beverages(6) | 2617.88 | +1.2 | 2585.97 | 2601.86 | 2595.00 | 2821.19 | 4.98 | 1.85 | 13.73 | 126.10 | 989.34 |
| 33 Food Producers(25) | 2610.02 | +0.7 | 2592.91 | 2605.06 | 2584.57 | 2552.94 | 4.19 | 1.77 | 16.87 | 105.92 | 1206.86 |
| 34 Household Goods(16) | 2507.92 | +0.4 | 2498.07 | 2512.80 | 2500.67 | 2645.82 | 4.08 | 2.23 | 13.72 | 101.87 | 1012.04 |
| 36 Health Care(18) | 1998.81 | +0.2 | 1995.57 | 1999.72 | 1999.15 | 1820.54 | 2.98 | 1.93 | 21.73 | 56.96 | 1234.15 |
| 37 Pharmaceuticals(14) | 5686.92 | –0.2 | 5699.81 | 5723.19 | 5700.27 | 4954.34 | 3.01 | 2.01 | 20.67 | 172.19 | 1965.08 |
| 38 Tobacco(2) | 4002.19 | –2.2 | 4092.58 | 4118.43 | 4075.58 | 4629.34 | 6.48 | 2.13 | 9.06 | 262.07 | 1030.63 |
| 40 SERVICES(262) | 2570.38 | +0.7 | 2552.94 | 2567.84 | 2569.04 | 2186.96 | 2.95 | 1.98 | 21.38 | 83.15 | 1362.07 |
| 41 Distributors(30) | 2870.20 | +0.1 | 2867.67 | 2878.35 | 2865.84 | 2519.44 | 3.01 | 2.01 | 20.60 | 91.07 | 1078.98 |
| 42 Leisure & Hotels(25) | 3231.38 | +0.6 | 3212.28 | 3225.51 | 3232.74 | 2615.23 | 2.79 | 1.99 | 22.51 | 173.45 | 1757.47 |
| 43 Media(44) | 4109.94 | +1.2 | 4061.17 | 4095.06 | 4107.91 | 3432.83 | 2.25 | 2.12 | 26.13 | 93.71 | 1504.95 |
| 44 Retailers, Food(14) | 2097.46 | +1.6 | 2064.24 | 2066.58 | 2055.73 | 1900.12 | 3.76 | 2.28 | 14.60 | 77.71 | 1365.71 |
| 45 Retailers, General(45) | 2052.86 | +0.4 | 2044.33 | 2058.67 | 2061.10 | 1914.66 | 3.20 | 2.04 | 19.15 | 73.48 | 1199.10 |
| 47 Breweries, Pubs & Rest.(21) | 3219.55 | –0.6 | 3239.20 | 3261.49 | 3249.30 | 2790.11 | 3.38 | 2.09 | 17.69 | 104.53 | 1578.86 |
| 48 Support Services(50) | 2713.80 | +0.4 | 2704.17 | 2722.08 | 2732.89 | 1988.81 | 1.84 | 2.23 | 30.47 | 50.43 | 1744.37 |
| 49 Transport(23) | 2618.92 | +0.9 | 2596.60 | 2604.74 | 2605.37 | 2115.89 | 3.88 | 1.23 | 27.66 | 93.48 | 1117.63 |
| 60 UTILITIES(36) | 2484.81 | +0.4 | 2474.28 | 2466.08 | 2439.85 | 2374.98 | 5.43 | 1.69 | 13.60 | 185.61 | 1115.98 |
| 62 Electricity(12) | 2676.54 | +0.5 | 2663.70 | 2647.68 | 2635.48 | 2592.79 | 6.52 | 2.15 | 8.93 | 458.01 | 1465.60 |
| 64 Gas Distribution(2) | 1538.15 | –0.8 | 1550.95 | 1563.75 | 1470.95 | 1524.63 | 7.79 | 0.54 | 29.65 | 119.71 | 841.63 |
| 66 Telecommunications(6) | 2072.27 | +0.7 | 2056.94 | 2048.29 | 2034.33 | 1914.27 | 4.01 | 1.51 | 20.63 | 58.10 | 968.19 |
| 68 Water(11) | 2234.11 | +0.1 | 2230.90 | 2221.84 | 2226.70 | 2115.59 | 6.66 | 2.30 | 8.16 | 135.09 | 1286.27 |
| 69 NON-FINANCIALS(685) | 2036.26 | +0.4 | 2028.09 | 2035.27 | 2030.81 | 1860.20 | 3.90 | 1.81 | 17.72 | 86.72 | 1585.16 |
| 70 FINANCIALS(104) | 3366.26 | +0.8 | 3340.71 | 3366.56 | 3361.25 | 2633.06 | 3.98 | 2.36 | 13.38 | 131.39 | 1485.61 |
| 71 Banks, Retail(9) | 4840.17 | +0.9 | 4796.90 | 4850.02 | 4834.84 | 4010.59 | 3.77 | 2.70 | 12.30 | 182.15 | 1620.14 |
| 72 Banks, Merchant(6) | 3866.43 | –0.1 | 3869.68 | 3877.69 | 3872.81 | 3596.27 | 2.69 | 3.01 | 15.43 | 104.20 | 1247.45 |
| 73 Insurance(21) | 1576.47 | +1.8 | 1550.55 | 1551.00 | 1558.25 | 1402.33 | 5.33 | 2.29 | 10.23 | 80.65 | 1220.53 |
| 74 Life Assurance(7) | 3917.34 | +0.3 | 3903.98 | 3945.20 | 3926.15 | 3372.78 | 3.97 | 1.78 | 17.67 | 151.01 | 1685.51 |
| 77 Other Financial(20) | 2760.35 | +0.3 | 2751.92 | 2770.07 | 2774.18 | 2383.14 | 4.05 | 1.77 | 17.38 | 104.43 | 1610.33 |
| 79 Property(42) | 1693.32 | +0.1 | 1691.17 | 1697.23 | 1691.19 | 1387.13 | 3.80 | 1.30 | 25.21 | 64.65 | 1070.03 |
| 80 INVESTMENT TRUSTS(128) | 3102.98 | +0.2 | 3096.72 | 3129.25 | 3126.28 | 2979.82 | 2.30 | 1.12 | 48.32 | 70.46 | 1098.04 |
| 89 FTSE All-Share(890) | 1955.20 | +0.5 | 1946.17 | 1955.25 | 1951.14 | 1763.33 | 3.88 | 1.90 | 17.04 | 80.69 | 1694.64 |
| FTSE Fledgling | 1204.19 | +0.1 | 1203.18 | 1207.48 | 1206.35 | 1100.97 | 2.81 | 0.71 | 60.80 | 34.60 | 1280.09 |
| FTSE Fledgling ex IT | 1219.71 | +0.1 | 1218.53 | 1221.76 | 1220.09 | 1103.47 | 3.10 | 0.63 | 63.58 | 37.76 | 1298.59 |

■ Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FTSE 100 | 3981.1 | 3986.9 | 3992.6 | 3984.9 | 3986.9 | 3993.2 | 3989.9 | 3980.9 | 3988.9 | 3993.8 | 3976.6 |
| FTSE 250 | 4363.0 | 4368.6 | 4370.5 | 4373.4 | 4371.7 | 4371.8 | 4370.9 | 4368.7 | 4370.1 | 4373.6 | 4363.0 |
| FTSE 350 | 1977.8 | 1980.0 | 1982.0 | 1980.0 | 1980.9 | 1983.3 | 1982.0 | 1978.2 | 1981.5 | 1983.5 | 1976.5 |

Time of FTSE 100 Day's high: 1:17 PM Day's low: 3:12 PM. FTSE 100 1996 High: 4073.1 (21/10/96) Low: 3632.3 (16/07/96).

■ FTSE 350 Industry baskets

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bldg & Cnstrcn | 1131.3 | 1132.0 | 1132.5 | 1133.4 | 1133.1 | 1133.1 | 1133.0 | 1132.0 | 1134.9 | 1134.9 | 1130.3 | +4.6 |
| Pharmaceuticls | 5844.6 | 5855.8 | 5860.0 | 5824.5 | 5821.3 | 5826.3 | 5818.4 | 5804.0 | 5611.5 | 5617.1 | 5629.9 | -12.8 |
| Water | 2216.2 | 2218.0 | 2220.5 | 2226.5 | 2223.8 | 2221.1 | 2217.8 | 2214.2 | 2216.8 | 2218.9 | 2215.6 | +3.3 |
| Banks, Retail | 4884.0 | 4889.9 | 4889.3 | 4879.7 | 4880.0 | 4884.5 | 4880.9 | 4870.7 | 4897.0 | 4901.9 | 4860.1 | +41.8 |

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FTSE International Limited 1996. All Rights reserved. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

### TRADING VOLUME

■ Major Stocks Yesterday

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| [illegible] | | | |

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FTSE 100 index constituent. All trades are included. Source: Extel, part of FT Information.

هكتا من الاهلل

Highs & Lows shown on a 52 week basis

# WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 16 / Sch)

BELGIUM/LUXEMBOURG (Dec 16 / Frs.)

CZECH REP (Dec 16 / Korun)

DENMARK (Dec 16 / Kr)

FINLAND (Dec 16 / Mks)

FRANCE (Dec 16 / Frs.)

GERMANY (Dec 16 / Dm.)

GREECE (Dec 16 / Drachma)

ITALY (Dec 16 / Lira)

NETHERLANDS (Dec 16 / Fls.)

NORWAY (Dec 16 / Kroner)

POLAND (Dec 16 / Zloty)

PORTUGAL (Dec 16 / Escudo)

SPAIN (Dec 16 / Pts.)

SWEDEN (Dec 16 / Kronor)

SWITZERLAND (Dec 16 / Frs.)

TURKEY (Dec 16 / Tk Lira)

PACIFIC

JAPAN (Dec 16 / Yen)

HONG KONG (Dec 16 / H.K.$)

INDONESIA (Dec 16 / Rupiah)

MALAYSIA (Dec 16 / MYR)

NEW ZEALAND (Dec 16 / NZ $)

SINGAPORE (Dec 16 / S$)

AUSTRALIA (Dec 16 / Aust$)

SOUTH KOREA (Dec 16 / Won)

TAIWAN (Dec 16 / TW $)

THAILAND (Dec 16 / Baht)

NORTH AMERICA

CANADA

TORONTO (Dec 16 / Can $)

4 pm close

MONTREAL (Dec 16 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Dec 13 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

♣ FT Free Annual Reports Service

You can obtain the current annual reports of any companies on this page with a ♣ symbol. For North American companies you can either ring +1 804 320 8097, or fax your request to +1 804 320 8135 or order online at http://www.icbinc.com/cgi-bin/ft. For companies from ALL other countries ring 0181 770 0770 or fax your request to 0181 770 3822 (outside UK ring +44 181 770 0770 or fax your request to +44 181 770 3822).

## INDICES

| | Dec 16 | Dec 13 | Dec 12 | 1996 High | | 1996 Low | |
|---|---|---|---|---|---|---|---|
| **Argentina** | | | | | | | |
| General(29/12/77) | (c) | 17271.34 | 17149.46 | [illegible] | 20/5 | 15287.25 | 22/6 |
| **Australia** | | | | | | | |
| All Ordinaries(1/1/80) | 2330.3 | 2318.5 | 2330.6 | 2384.70 | 25/11 | 2086.10 | 17/7 |
| All Mining(1/1/80) | 914.5 | 903.6 | 913.9 | 1118.40 | 8/5 | [illegible] | 13/12 |
| **Austria** | | | | | | | |
| Credit Aktien(30/12/84) | 378.13 | 371.84 | 378.38 | 394.58 | 31/5 | 349.19 | 3/1 |
| Traded Index(2/1/91) | 1124.59 | 1108.64 | 1121.90 | 1142.51 | 28/5 | 975.27 | 2/1 |
| **Belgium** | | | | | | | |
| BEL20(1/1/91) | 1880.19 | 1847.77 | 1862.80 | 1888.55 | 3/12 | 1574.80 | 2/1 |
| **Brazil** | | | | | | | |
| Bovespa(29/12/83) | (c) | 65802.0 | 66575.0 | 66471.80 | 5/12 | 43987.00 | 2/1 |
| **Canada** | | | | | | | |
| Metals Minls♦(1975) | (c) | 5189.10 | 5248.45 | 5824.50 | 8/5 | 4087.47 | 18/1 |
| Composite♦(1975) | (c) | 5706.90 | 5722.80 | 6018.85 | 28/11 | 4738.70 | 15/1 |
| Portfolio§§(4/1/83) | (c) | 2810.84 | 2808.33 | 2928.35 | 28/11 | 2337.39 | 12/1 |
| **Chile** | | | | | | | |
| IGPA Gen¶(31/12/80) | (c) | 4509.51 | 4558.88 | 5804.33 | 8/1 | 4500.91 | 13/12 |
| **Denmark** | | | | | | | |
| CopenhagenSE(3/1/83) | 461.38 | 458.72 | 460.38 | 463.70 | 10/12 | 388.40 | 2/1 |
| **Finland** | | | | | | | |
| HEX General(28/12/90) | 2471.75 | 2394.76 | 2437.32 | 2481.08 | 10/12 | 1851.67 | 10/1 |
| **France** | | | | | | | |
| SBF 250(31/12/90) | 1504.99 | 1493.43 | 1498.05 | 1578.29 | 3/12 | 1258.16 | 2/1 |
| CAC 40(31/12/87) | 2222.57 | 2203.41 | 2212.11 | 2348.11 | 3/12 | 1897.95 | 11/1 |
| **Germany** | | | | | | | |
| FAZ Aktien(31/12/58) | 982.38 | 971.78 | 983.88 | 1008.18 | 5/12 | 814.58 | 2/1 |
| Commerzbank(1/12/53) | 2864.20 | 2831.00 | 2868.90 | 2938.60 | 5/12 | 2378.10 | 2/1 |
| DAX‡(30/12/87) | 2863.79 | 2799.71 | 2847.08 | 2908.91 | 5/12 | 2284.86 | 2/1 |
| **Greece** | | | | | | | |
| Athens SE(31/12/80) | 907.68 | 905.88 | 906.65 | 1017.96 | 4/3 | 872.99 | 7/8 |
| **Hong Kong** | | | | | | | |
| Hang Seng(31/7/64) | 12937.49 | 12784.00 | 13033.28 | 13530.95 | 27/11 | 10204.87 | 2/1 |
| **India** | | | | | | | |
| BSE Sens.(1979) | 2959.65 | 2981.15 | 2880.26 | 4069.26 | 18/6 | 2745.00 | 4/12 |
| **Indonesia** | | | | | | | |
| Jakarta Comp.(10/8/82) | 623.81 | 624.45 | 627.89 | 634.97 | 9/12 | 512.48 | 2/1 |
| **Ireland** | | | | | | | |
| ISEQ Overall(4/1/88) | 2537.78 | 2531.54 | 2535.36 | 2700.94 | 4/10 | 2294.61 | 2/1 |
| **Italy** | | | | | | | |
| Banca Comm Ital(1972) | 643.83 | 631.27 | 640.82 | 674.10 | 20/5 | 572.71 | 27/3 |
| MIB General(2/1/95) | 1082.0 | 1071.0 | 1087.0 | 1142.00 | 20/5 | 990.00 | 27/3 |
| **Japan** | | | | | | | |
| Nikkei 225(16/5/49) | 20422.04 | 20941.39 | 20501.20 | 22666.80 | 26/6 | 19734.70 | 13/3 |
| Nikkei 300(1/10/82) | 286.84 | 294.53 | 286.08 | 319.76 | 26/6 | 284.45 | 11/3 |
| Topix(4/1/68) | 1511.86 | 1501.85 | 1512.43 | 1722.13 | 26/6 | 1501.95 | 13/12 |
| 2nd Section(4/1/68) | 1912.49 | 1911.49 | 1924.20 | 2251.48 | 3/7 | 1911.49 | 13/12 |
| **Malaysia** | | | | | | | |
| KLSE Comp.(4/4/86) | 1197.30 | 1186.45 | 1188.69 | 1234.73 | 25/11 | 893.18 | 2/1 |
| **Mexico** | | | | | | | |
| IPC(Nov 1978) | (c) | 3205.21 | (c) | 3403.75 | 27/3 | 2738.26 | 8/3 |
| **Netherland** | | | | | | | |
| CBS TtlRtnGen(End 83) | 710.1 | 701.4 | 705.3 | 730.20 | 3/12 | 558.50 | 2/1 |
| CBS All Shr(End 83) | 418.6 | 411.7 | 414.5 | 428.80 | 3/12 | 328.70 | 2/1 |
| **New Zealand** | | | | | | | |
| Cap. 40(1/7/86) | 2358.47 | 2349.51 | 2362.52 | 2393.99 | 5/12 | 2085.14 | 7/6 |
| **Norway** | | | | | | | |
| Oslo SE(Ind)(2/1/83) | 1587.51 | 1577.58 | 1580.50 | 1617.28 | 10/12 | 1229.88 | 30/1 |
| **Philippines** | | | | | | | |
| Manila Comp(2/1/85) | 3115.88 | 3120.20 | 3129.11 | 3374.40 | 3/7 | 2578.97 | 2/1 |
| **Portugal** | | | | | | | |
| BVL 30(4/1/93) | 2122.58 | 2116.65 | 2121.45 | 2122.58 | 16/12 | 1802.81 | 2/1 |
| **Singapore** | | | | | | | |
| SES All-S'pore(2/4/75) | 536.16 | 530.29 | 525.39 | 618.37 | 5/2 | 502.78 | 21/10 |
| **South Africa** | | | | | | | |
| JSE Gold(28/9/78) | (c) | 1511.8¶ | 1533.2 | 2090.40 | 29/5 | 1348.40 | 2/1 |
| JSE Ind.(28/9/78) | (c) | 7802.5¶ | 7814.7 | 8738.30 | 25/1 | 7382.40 | 21/8 |
| **South Korea** | | | | | | | |
| KoreaCmpEx**(4/1/80) | 673.92 | 688.07 | 688.36 | 986.84 | 7/5 | 673.92 | 16/12 |
| **Spain** | | | | | | | |
| Madrid SE(30/12/85) | 410.97 | 403.13 | 404.18 | 411.42 | 3/12 | 323.35 | 11/1 |
| **Sweden** | | | | | | | |
| AffarsvaldsGen(1/1/37) | 2315.4 | 2280.6 | 2315.1 | 2354.20 | 5/12 | 1708.80 | 22/1 |
| **Switzerland** | | | | | | | |
| Swiss Bk Ind(31/12/58) | 1836.29 | 1822.42 | 1820.26 | 1856.16 | 3/12 | 1518.50 | 17/1 |
| SBC General(1/4/87) | 1298.01 | 1290.22 | 1294.38 | 1316.83 | 3/12 | 1114.47 | 26/1 |
| **Taiwan** | | | | | | | |
| Weighted Pr.**(30/6/66) | 6881.42 | 6825.10 | 6825.62 | 6982.81 | 2/12 | 4690.22 | 5/2 |
| **Thailand** | | | | | | | |
| Bangkok SET(30/4/75) | 872.76 | 872.67 | 822.25 | 1415.04 | 5/2 | 822.25 | 12/12 |
| **Turkey** | | | | | | | |
| Istanbul Crp.(Jan 1986) | 87158.9 | 88835.8 | 90023.5 | 94407.30 | 6/12 | 38779.30 | 2/1 |
| **WORLD** | | | | | | | |
| MS Capital Intl(1/1/70) | 807.5 | 803.6 | 807.8 | 837.20 | 25/11 | 725.90 | 15/1 |
| **CROSS-BORDER** | | | | | | | |
| Eurotrack 100(26/10/90) | 1854.48 | 1832.24 | 1835.88 | 1889.40 | 3/12 | 1604.40 | 11/1 |
| Euro Top-100(26/6/90) | 1551.63 | 1540.13 | 1550.72 | 1583.23 | 3/12 | 1333.01 | 11/1 |
| HSBC JC Dragon(31/12/88) | (c) | 402.44 | 408.22 | 420.20 | 27/11 | 344.19 | 2/1 |
| ING Barings Emerg(7/1/92) | (c) | 155.07 | 157.78 | 165.01 | 4/7 | 147.36 | 2/1 |

** Sat Dec 14: Taiwan Weighted Price 6888.19; Korea Comp Ex 687.34. Base values of all Indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 16 – 2841.16 +25.39.

## INDEX FUTURES

| | Open | Sett Price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| **CAC-40 (200 x Index)** | | | | | | | |
| Dec | 2227.0 | 2227.5 | +18.0 | 2236.0 | 2213.0 | 12,282 | 23,914 |
| Jan | 2231.5 | 2232.0 | +17.0 | 2239.0 | 2220.0 | 1,298 | 7,475 |
| **DAX** | | | | | | | |
| Dec | 2838.0 | 2838.0 | +18.0 | 2857.0 | 2830.0 | 26,943 | – |
| Mar | 2856.0 | 2859.5 | +17.5 | 2879.0 | 2853.0 | 12,953 | – |
| **OMX** | | | | | | | |
| Dec | 1805.00 | 1805.00 | +14.00 | 1816.00 | 1798.00 | 3,674 | 18,849 |
| Jan | 1815.00 | 1812.50 | +16.50 | 1822.00 | 1804.50 | 910 | 14,835 |
| **SOFFEX** | | | | | | | |
| Dec | 3861.5 | 3867.0 | +28.0 | 3875.0 | 3858.0 | 6,558 | 18,007 |
| Jan | 3867.0 | 3874.0 | +25.0 | 3876.0 | 3865.0 | 3,171 | 8,914 |

## US INDICES

| Dow Jones | Dec 13 | Dec 12 | Dec 11 | 1996 High | 1996 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 6304.87 | 6303.71 | 6402.52 | 6547.79 (25/11) | 5032.94 (10/1) | 6547.79 (25/11/96) | 41.22 (8/7/32) |
| Home Bonds | 103.15 | 103.33 | 103.16 | 106.08 (14/2) | 100.90 (15/7) | 108.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 2248.89 | 2251.38 | 2296.87 | 2315.47 (5/12) | 1882.71 (18/1) | 2315.47 (5/12/96) | 13.23 (8/7/32) |
| Utilities | 228.55 | 227.22 | 230.57 | 238.12 (25/11) | 204.86 (30/7) | 256.46 (31/8/93) | 16.53 (8/7/32) |

DJ Ind. Day's high 6377.14 (6465.57) Low 6227.50 (6283.72) (Theoretical‡) Day's high 6344.47 (6436.73) Low 6251.49 (6302.18) (Actual‡)

| Standard and Poors | Dec 13 | Dec 12 | Dec 11 | 1996 High | 1996 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 728.64 | 729.33 | 740.73 | 757.03 (25/11) | 598.48 (10/1) | 757.03 (25/11/96) | 4.40 (1/6/32) |
| Industrials¶ | 857.48 | 860.18 | 871.34 | 887.49 (2/12) | 702.07 (15/1) | 887.49 (2/12/96) | 3.52 (30/6/32) |
| Financial | 79.49 | 79.33 | 81.17 | 84.88 (29/11) | 58.87 (10/1) | 84.88 (29/11/96) | 7.13 (4/6/74) |
| NYSE Comp. | 384.07 | 384.29 | 389.54 | 398.86 (25/11) | 321.41 (10/1) | 398.86 (25/11/96) | 4.64 (25/4/42) |
| Amex Mkt Val | 578.08 | 578.11 | 583.92 | 614.90 (22/5) | 525.60 (16/7) | 614.90 (22/5/96) | 29.13 (9/12/74) |
| NASDAQ Comp | 1284.91 | 1288.33 | 1308.12 | 1316.27 (9/12) | 988.57 (15/1) | 1316.27 (9/12/96) | 54.87 (3/10/74) |

### ■ RATIOS

| | Dec 13 | Dec 6 | Nov 29 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.08 | 2.05 | 2.02 | 2.27 |
| | Dec 11 | Dec 4 | Nov 27 | Year ago |
| S & P Ind. Div. yield | 1.85 | 1.83 | 1.81 | 1.86 |
| S & P Ind. P/E ratio | 23.04 | 23.05 | 23.30 | 19.06 |

### ■ NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Iomega | 7,885,600 | 18¾ | -1¼ |
| Micron Tch | 6,930,700 | 35¼ | -1 |
| Pepsico | 4,622,900 | 28¾ | +¼ |
| AT & T | 4,332,800 | 38 | +⅜ |
| Coca Cola | 4,324,000 | 47⅝ | +⅛ |
| IBM | 3,884,300 | 152⅝ | +¼ |
| General El | 3,738,000 | 96⅝ | -⅛ |
| Chase Manh | 3,549,500 | 85¾ | -1⅛ |
| BankAmer | 3,217,900 | 95⅝ | +1⅛ |
| Compaq Cm | 3,192,500 | 80 | +¼ |

### ■ TRADING ACTIVITY

● Volume (million)

| | Dec 13 | Dec 12 | Dec 11 |
|---|---|---|---|
| New York SE | 454.475 | 492.759 | 494.193 |
| Amex | 20.072 | 22.920 | 21.225 |
| NASDAQ | 580.370 | 600.987 | 648.210 |
| **NYSE** | | | |
| Issues Traded | 3,294 | 3,313 | 3,323 |
| Rises | 1,050 | 880 | 502 |
| Falls | 1,435 | 1,626 | 2,138 |
| Unchanged | 809 | 807 | 683 |
| New Highs | 64 | 94 | 57 |
| New Lows | 64 | 52 | 55 |

| | Open | Latest | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| **S&P 500** | | | | | | | |
| Dec | 731.00 | 733.30 | +3.85 | 733.30 | 730.40 | 29,254 | 100,984 |
| Mar | 736.40 | 738.80 | +3.40 | 740.20 | 737.40 | 112,321 | 135,303 |

| | Open | Sett price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| **Nikkei 225** | | | | | | | |
| Mar | 20450.0 | 20420.0 | +110.0 | 20450.0 | 20310.0 | 17,740 | 294,183 |
| Jun | 20310.0 | 20350.0 | +40.0 | 20360.0 | 20310.0 | 145 | 24,575 |

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

### ■ TOKYO - MOST ACTIVE STOCKS: Monday, December 16, 1996

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Hitachi | 5.2m | 1070 | +20 | Nippon Steel Cp | 3.7m | 339 | |
| Bk Tk-M'bishi | 4.8m | 2090 | +50 | Tokyo Gas | 3.7m | 311 | +4 |
| Canon | 4.3m | 2460 | -10 | Keisei Elect Ry | 3.5m | 771 | -44 |
| Bridgestone Cp | 4.0m | 2130 | -10 | Ge-Jo-En Kanko | 3.3m | 100 | -19 |
| Daiwa Bank | 3.8m | 612 | +37 | Mitsubishi Hvy | 2.7m | 934 | +10 |

FTSE

# NEW YORK STOCK EXCHANGE PRICES

*4 pm close December 16*

| 1996 High | Low | Stock | Div | Yld % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 31¼ | 17¾ | AAR | 0.48 | 1.8 | 22 | 702 | 27⅛ | 26¾ | 26¾ | -⅛ |
| 46⅛ | 33 | AMP | 1.00 | 2.7 | 18 | 8272 | 38¼ | 37¼ | 37⅜ | -⅝ |
| 97½ | 68 | AMR | | | 16 | 6132 | 85⅝ | 84½ | 84¾ | -2½ |
| 50½ | 35⅛ | ASA | 1.40 | 3.9 | 23 | 652 | 35⅞ | d35⅛ | 35¾ | -¼ |
| 57⅞ | 38⅛ | AbbotL | 0.96 | 1.9 | 21 | 6814 | 51⅝ | 50⅜ | 50½ | -⅞ |
| 17¼ | 12¼ | AbiMbl Pr | 0.40 | 2.7 | 7 | 685 | 14¾ | 14½ | 14⅝ | +⅛ |
| 20¼ | 13½ | ABM Ind | 0.35 | 2.2 | 16 | 414 | 16½ | 15⅝ | 16¼ | +¾ |
| 22½ | 13⅞ | Acpincela | | | 9 | 88 | 20⅛ | 19¾ | 19⅞ | -¼ |
| 60 | 37¾ | ACE Ltd | 0.58 | 0.9 | 14 | 1085 | 59½ | 58¾ | 59 | -¾ |
| 10⅜ | 9⅛ | ACM Gvt In | 0.86 | 8.6 | 8 | 229 | 10⅛ | 10 | 10 | |
| 7⅝ | 6⅝ | ACM GvOpp x | 0.57 | 7.9 | | 129 | 7¼ | 7⅛ | 7¼ | +⅛ |
| 9⅞ | 8⅞ | ACM Man x | 0.90 | 9.5 | | 110 | 9⅝ | 9½ | 9½ | -⅛ |
| 13⅞ | 6⅛ | Acme Elect | 0.32 | 4.6 | 53 | 217 | 7¼ | 7 | 7 | -⅛ |
| 21⅝ | 13⅞ | Acme Mills | | | 14 | 31 | 19⅞ | 19¾ | 19⅞ | |
| 33¾ | 27¾ | Acordia x | 0.80 | 2.8 | 14 | 17 | 29 | 29 | 29 | -⅛ |
| 24¾ | 12 | Acuson | | | 102 | 1332 | 22¼ | 21½ | 21½ | -1 |
| 21⅞ | 17⅞ | Adams Expr | 0.55 | 2.8 | 0 | 267 | 19⅝ | 19⅜ | 19⅜ | -⅛ |
| 28⅞ | 10¼ | AdvMic | | | 27 | 9996 | 27⅞ | 26½ | 26⅝ | -1⅞ |
| 11⅛ | 8½ | Advest Grp | 0.16 | 1.6 | 7 | 34 | 10¼ | 10⅛ | 10¼ | |
| 26⅛ | 9⅛ | Advo Inc | 0.10 | 0.9 | 89 | 526 | 11¾ | 11⅛ | 11⅝ | +⅝ |
| 58⅝ | 41⅛ | Aegon | 1.45 | 2.7 | 16 | 126 | 54¾ | 54⅜ | 54⅝ | +⅛ |
| 6¾ | 3½ | Aerfo | | | 2 | 284 | 4½ | 4¼ | 4¼ | -¼ |
| 76½ | 57⅝ | Aetna | 0.80 | 1.1 | 9 | 5835 | 73⅞ | 72 | 73⅛ | +⅝ |
| [illegible] | | | | | | | | | | |

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

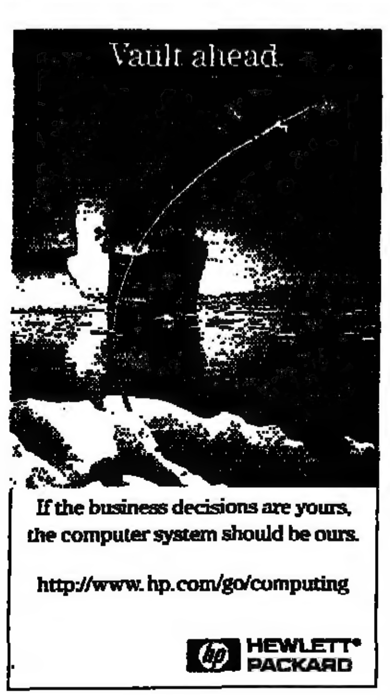
[illegible]

- R -

[illegible]

- S -

[illegible]



Continued on next page

# NYSE PRICES

*4 pm close December 16*

| 1996 High | Low | Stock | Div. | Yld. % | P/ E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

Continued from previous page

- T - - U - - V - - W - - X - Y - Z -

*Price data supplied by Telekurs*

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s-split. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
# Dealings suspended.

## ♣ FT Free Annual Reports Service

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-320-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-6135. Reports will be sent the next working day, subject to availability. You can also order online at http://www.icbinc.com/cgi-bin/ft.

# AMEX PRICES

*4 pm close December 16*

| Stock | Div. | P/ E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

# NASDAQ NATIONAL MARKET

*4 pm close December 16*

| Stock | Div. | P/ E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

FINANCIAL TIMES Tuesday December 17 1996

# Dow up on Boeing-led merger buzz

AMERICAS

Merger activity helped lift blue chip shares in the Dow Jones Industrial Average at midsession, *writes Lisa Bransten in New York.*

Just afterwards Mr Barton Biggs, the global strategist at Morgan Stanley, adopted a bearish tack, slashing the equity weighting in his global portfolio from 74 per cent to 56 per cent and increasing cash from zero to 15 per cent.

Investors had reacted positively to the weekend announcement that Boeing had agreed to acquire McDonnell Douglas in a deal that would create the world's largest aerospace and defence company. Boeing added $5¼ or 6 per cent to $102, boosting the value of the all-stock transaction to about $14.1bn. McDonnell Douglas shares jumped $10⅝ or 21 per cent to $62⅞.

By 1pm, Boeing's rise accounted for nearly all of the 18.83 gain that put the Dow at 6,323.70, according to Birinyi Associates, the equity research firm. Meanwhile the Standard & Poor's 500 was off 0.05 at 728.59. Volume on the NYSE came to 236m shares.

Bonds exerted some downward pressure on shares as stronger than expected manufacturing activity sent Treasuries lower and sent the yield on the benchmark 30-year bond up past 6.6 per cent.

Technology shares were modestly weaker yesterday with the Nasdaq composite, which is weighted toward that sector, falling 3.00 at 1,281.91. The Pacific Stock Exchange technology index was 0.6 per cent lower.

Intel, the semiconductor maker, fell $1⅛ to $131¼; America Online, the online service provider, lost $1⅝ or 5 per cent at $32⅝. Among computer makers, Gateway 2000 shed $2⅜ or 4 per cent at $56⅝, Compaq Computer closed $1⅞ lower at $78⅝ and Dell Computer shed $¼ at $57.

The Dow's move was restrained by a drop in the price of Philip Morris. The cigarette company, which jumped $15⅝ to $118⅝ from the start of this month to the middle of last week, posted a third consecutive drop yesterday, losing $1⅞ at $109⅝ by midsession.

The market reacted positively to news that Conseco, the US insurer, had agreed to buy Pioneer Financial Services for about $25 to $28 per share. Shares in Conseco added $1⅞ or 3 per cent at $61⅞ and Pioneer jumped $6 or 32 per cent to $25.

TORONTO rallied in early trading, moving ahead in line with the steadier performance of Wall Street and showing signs of wanting to end a three day losing streak.

At noon, the 300 composite index was 7.88 higher at 5,714.76, although dealers pointed out that falls had a slight lead over rises. Energy stocks had the best of the morning session with the sector up more than 1 per cent and Renaissance Energy gaining 90 cents to C$44.35.

## Caracas resumes advance

CARACAS overcame early weakness to resume the upward path taken at the end of last week. The IBC index at midsession was 38.57 higher at 6,248.41 although volumes were very low with many investors already said to have wound down their activity ahead of Christmas.

The benchmark Electricidad de Caracas gave up 1 bolivar to 524 bolivars.

MEXICO CITY had a morning downturn as traders digested the latest political changes. At midsession, the IPC index was 14.75 lower at 3,190.46.

News late on Friday that the leader of the ruling Institutional Revolutionary Party had resigned kept investors sidelined and volumes at a minimum.

### MARKETS IN PERSPECTIVE

| | % change in local currency † 1 Week | 4 Weeks | 1 Year | Start of 1996 | % change sterling † Start of 1996 | % change in US $ † Start of 1996 |
|---|---|---|---|---|---|---|
| Austria | +1.24 | +3.14 | +15.26 | +14.78 | -0.55 | +6.21 |
| Belgium | -1.41 | -0.34 | +15.52 | +14.52 | -0.92 | +5.82 |
| Denmark | +0.18 | +0.75 | +23.39 | +23.55 | +8.38 | +15.75 |
| Finland | -3.23 | +0.24 | +21.10 | +33.74 | +17.80 | +25.59 |
| France | -1.07 | -0.85 | +23.85 | +21.48 | +6.53 | +13.77 |
| Germany | +0.21 | -0.10 | +20.83 | +21.28 | +5.09 | +12.24 |
| Ireland | -0.85 | -2.34 | +16.92 | +17.22 | +13.70 | +21.44 |
| Italy | -1.86 | -2.72 | +7.85 | +3.33 | +0.51 | +7.34 |
| Netherlands | -1.14 | -0.12 | +26.00 | +24.54 | +7.73 | +15.06 |
| Norway | -0.02 | +2.83 | +24.18 | +23.83 | +13.11 | +20.80 |
| Spain | -1.09 | +4.28 | +32.85 | +29.16 | +12.75 | +20.42 |
| Sweden | -1.28 | +1.51 | +34.64 | +33.07 | +21.27 | +29.51 |
| Switzerland | +0.08 | -1.72 | +16.22 | +15.03 | -5.81 | +0.59 |
| UK | +0.25 | +0.24 | +8.58 | +7.56 | +7.56 | +14.89 |
| EUROPE | -0.35 | -0.06 | +16.71 | +15.56 | +6.03 | +13.24 |
| Australia | -0.02 | -2.60 | +3.24 | +4.11 | +4.02 | +11.09 |
| Hong Kong | -2.26 | +0.75 | +28.25 | +25.59 | +17.48 | +25.47 |
| Japan | -1.03 | -3.77 | -1.59 | -4.69 | -19.13 | -13.64 |
| Malaysia | -0.14 | -0.18 | +20.03 | +19.22 | +12.32 | +19.96 |
| New Zealand | -0.42 | -0.32 | +6.54 | +6.71 | +7.26 | +14.55 |
| Singapore | -0.75 | -0.84 | +3.10 | -0.64 | -6.96 | +0.44 |
| Canada | -1.68 | -2.55 | +23.71 | +23.53 | +15.92 | +23.79 |
| USA | -1.45 | -1.11 | +17.00 | +18.05 | +10.53 | +18.05 |
| Mexico | -3.75 | -5.37 | +23.60 | +14.61 | +4.26 | +11.35 |
| South Africa | -2.45 | -5.68 | +1.42 | +3.15 | -25.61 | -20.56 |
| WORLD INDEX | -1.06 | -1.42 | +12.73 | +11.93 | +1.82 | +8.74 |

† Based on December 13th 1996.

# Spain, Italy prosper after EU budget pact

EUROPE

Friday's signing of a tough European Union budget pact pushed bond markets higher on the periphery. Spain and Italy did particularly well and their equity markets followed suit.

MADRID came achingly close to an all time high, the general index closing 7.84 or 1.9 per cent better at 410.91 against the December 3 peak of 411.42.

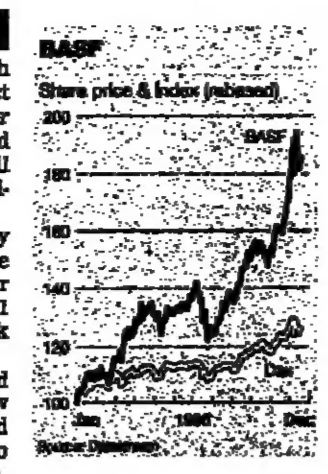
The Spanish 10-year bond spread over bunds hit a new record low, its 10-year bond future rose from 111.22 to 112.23, and interest rate-sensitive equities reaped the rewards with the banking sector up 1.7 per cent, and electrical utilities 2.8 per cent higher on the day.

Dealers said that unusually high market turnover of Pta78bn indicated that the rally was well supported. In banks, Argentaria climbed by Pta170 or 3.2 per cent to Pta5,540, while Iberdrola led utilities with a gain of Pta70 or 4.5 per cent at Pta1,625.

MILAN raced 2 per cent higher on better bonds, a stronger lira and the positive Wall Street opening.

The Comit index rose 12.56 to 643.83, while the real-time Mibtel index was 192 higher at 10,316, although volumes remained unimpressive.

Analysts noted that weekend events had lent support, as had comments from the Bank of Italy governor who said that inflation seemed to be under control. This had prompted expectations that a discount rate cut could be on the way after impending inflation data.



Among individual stocks, Telecom Italia jumped L180 to L3,622 on expectations that the shareholders could do well out of a planned merger with Stet, the state telecoms holding company. Stet rose L237 to L6,412.

FRANKFURT's BASF put on 92 pfg at DM59.35. Mr Charles Brown of Goldman Sachs commented that the German government was expected to enact legislation next year that would allow share buybacks, and that BASF was a prime candidate for the process.

"BASF doesn't have the freedom to restructure in terms of activity that Hoechst and Bayer, with their big pharmaceuticals divisions, enjoy," said Mr Brown, "but it does have extremely strong cash flow, it is overcapitalised and it has no net debt."

The broad market ended off its best after bunds and the dollar reacted to strong US industrial production figures for November. The Dax index closed 25.39 higher at an Ibis-indicated 2,841.16, turnover falling from DM9.4bn to DM8.1bn.

In London, Astra's chief executive, Mr Hakan Mogren, told investors and analysts at a company presentation that the company was evaluating the possibility of a share buyback, which would be completed by 1998. UBS said last Friday that the Swedish government seemed set to approve share buybacks, probably from July 1997 onwards.

STOCKHOLM, however, seemed less than impressed. Astra A rose just SKr1 to SKr329 as the Affärsvärlden General index closed 24.8 higher at 2,315.4.

The bigger winner of the day was the construction company, Skanska, SKr13 higher at SKr292.50. Skanska said that it and Ikano, owned by the family which founded the furniture retailer, Ikea, would create a company which would specialise in factory outlet stores.

PARIS was encouraged by loan rate reductions at a number of big banks, the CAC 40 index closing up 19.16 at 2,222.57.

Dollar stocks had a solid session with LVMH up FFr10 at FFr1,268 and L'Oreal FFr25 ahead at FFr1,840. Michelin, which tumbled almost 4.5 per cent last week, rallied strongly, gaining FFr6.40 to FFr265.50.

There was good activity among second line stocks. Pathe, which has a 17 per cent stake in BSkyB, jumped sharply on bullish weekend press coverage for the media giant. Pathe advanced FFr55 to FFr1,197.

Promodes recovered FFr20 to FFr1,385. Shares in the leading retailer lost ground last week on talk of an imminent bid for the Casino supermarkets chain.

AMSTERDAM turned in the day's strongest performance in northern Europe, the AEX index advancing 9.47 or 1.6 per cent to 616.12 in solid two-way trading.

Underpinned by a firm bond market, Fortis Amev, the big insurer, produced the best bounce of the session, rising Fl 2.80 or more than 4 per cent to Fl 58. Ahold, the retailer, put on Fl 3.50 to Fl 104.30.

Royal Dutch improved Fl 1.40 to Fl 288.5 as the market warmed to a story of improved chemical returns from the oil giant following presentations in New York and London.

Unilever, up Fl 7.00 to Fl 288, was said to have met with demand from the UK fund managers.

ZURICH ended firmer, but off its best levels, after a day dominated by special situations, while today's FOMC meeting put a cap on investors' enthusiasm. The SMI index rose 29.9 to 3,869.2.

Swissair put on SFr38 at SFr1,055 on recurrent rumours that the airline, which plans a press conference on Thursday, was planning to separate some of its profitable catering business from its hard pressed airline operations.

A SFr45 rise to SFr2,875 in Baloise was attributed to speculation that a press conference on Thursday might bring news of a takeover or restructuring.

SMH lost SFr10 to SFr810, under pressure from options that expire tomorrow.

Elektrowatt gave up SFr5 of its recent gains at SFr522, although there was still speculation that CS Holding might sell its stake by the end of the year.

Holderbank rose SFr21 to SFr929 on recent recommendations from brokers noting that the company would be an early beneficiary from a pick-up in European economic growth.

BUDAPEST took advantage of strong performances in two chemical stocks, TVK and Borsodchem, to push the Bux index up 17.74 to the third successive high of 3,835.95.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

### FTSE Actuaries Share Indices

THE EUROPEAN SERIES

| Dec 16 Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FTSE Eurotrack 100 | 1853.10 | 1853.33 | 1854.03 | 1853.86 | 1853.14 | 1854.53 | 1854.50 | 1854.49 |
| FTSE Eurotrack 200 | 1898.83 | 1897.86 | 1898.38 | 1896.38 | 1899.55 | 1898.58 | 1899.28 | 1899.86 |

| | Dec 13 | Dec 12 | Dec 11 | Dec 10 | Dec 9 |
|---|---|---|---|---|---|
| FTSE Eurotrack 100 | 1832.24 | 1855.86 | 1854.05 | 1877.85 | 1889.88 |
| FTSE Eurotrack 200 | 1879.95 | 1900.22 | 1896.59 | 1919.80 | 1907.05 |

Base value 1000 (26/10/90): Highday: 100 - 1855.72; 200 - 1900.90 Lowday: 100 - [illegible] 200 - [illegible] † Partial.

# China tumbles as Beijing raps speculators

ASIA PACIFIC

China's A and B share indices tumbled in hectic selling prompted by sharp criticism of the markets by the central government in Beijing. SHENZHEN's hard currency B index plunged by the new 10 per cent maximum, while SHANGHAI Bs lost 9.6 per cent.

Beijing's move came after dramatic surges on both markets. The People's Daily, mouthpiece of the Communist Party, warned that the two markets were overheating due to speculative trading and warned of a crash similar to the Wall Street collapse of 1929.

Last Friday, the Shenzhen and Shanghai bourses announced that they were imposing a 10 per cent ceiling on daily movements for individual stocks, with effect from yesterday.

Johannesburg was closed for a public holiday.

On Sunday, the China Securities Regulatory Commission, the country's top securities watchdog, also announced a quota of Yb10bn worth of share issues for 1997, doubling the quota of Yb5.5bn this year, in an effort to cap the frenetic pace of the markets.

Shanghai's B index ended down 6.362 at 59.929 while the A shares lost 115.370 or 9.9 per cent to 1,047.68. Shenzhen's B index plunged 14.93 to 134.43 and the A index lost 46.34 to 417.2.

TOKYO finished moderately higher on dull but stable trading as domestic institutions went bargain hunting and non-life insurance companies lost ground following the weekend agreement between Japan and the US on deregulation of the insurance market, *writes Gwen Robinson.*

The Nikkei 225 average added 80.65 to 10,422.04 after trading between 20,291.08 and 20,472.05. Volume dwindled to 266m shares from Friday's inflated turnover of 833.12m on December futures and options settlement. Advances led declines 657 to 428, with 173 unchanged.

Investors continued to seek internationally competitive blue chip issues, and showed new interest in some stocks that were enjoying strong domestic demand, such as gas and power utilities.

The Topix index of all first-section stocks rose 10.03 to 1,511.98 and the capital-weighted Nikkei 300 was up 2.01 at 286.64.

In London, the ISE/Nikkei-50 index fell 0.73 to 1445.22.

Continued interest in NTT, particularly among foreign investors, also supported other telecommunications issues. NTT added Y10,000 to Y916,000 and KDD rose Y210 to Y7,960. Blue chip electricals and carmakers advanced. Hitachi, the day's most active issue, rose Y20 to Y1,070. Mitsubishi Electric added Y11 to Y683 and Toshiba Y10 to Y747. Honda climbed Y70 to Y3,210.

Non-life insurers, however, fell by nearly 2.4 per cent on heavy selling pressure following agreement between the US and Japan to open the Japanese market to greater foreign competition. Tokio Marine and Fire Insurance fell Y20 to Y1,120 and Sumitomo Marine and Fire Insurance shed Y22 to Y718.

Oriental Land, the operator of Tokyo Disneyland, continued to suffer profit-taking following its strong debut on the exchange last Wednesday, when it closed at Y8,800. On Monday, the stock fell a further Y170 to Y8,130.

Domestic utilities, meanwhile, enjoyed active buying interest. Tokyo Electric Power rose Y50 to Y2,530 and Tokyo Gas climbed Y4 to Y311. Banking issues bounced back from recent sharp setbacks on concerns about banks' bad debts. Sumitomo Bank added Y40 to Y1,790, Daiwa Bank Y37 to Y612 and Industrial Bank of Japan Y40 to Y2,090.

In Osaka, the OSE average rose 112.27 to 20,674.36 in volume of 56.2m shares.

HONG KONG's blue chips ended with solid gains on renewed momentum after some heavy losses last week, but H-shares of Chinese enterprises, listed in the colony, were depressed as the Chinese stock markets nosedived.

The Hang Seng index ended 153.41 higher at 12,937.46 after dropping 318.66 points last week, while the H share index dropped 5.1 per cent. Turnover pulled back to HK$6.5bn from Friday's HK$10.1bn.

SEOUL remained at a three year low, under pressure from heavy selling by domestic institutions, which left the composite index down 13.42 to 673.92.

Analysts noted that market sentiment received a further jolt when a leading investment trust company heavily sold Samsung Electronics and LG Information shares, sending most blue chips down.

Samsung Electronics fell Won3,900 or 7.8 per cent to Won46,100, while LG Information lost Won5,200 or 7.9 per cent to Won60,300.

Analysts noted that government measures, announced at the end of the day, designed to provide impetus to the market, had failed to match expectations.

BOMBAY rallied 2.7 per cent in hectic trade after the finance minister said that a controversial tax on companies may soon be phased out.

The BSE-30 index jumped 77.50 to 2958.65 after the minister said that the new tax might be phased out after a new Income Tax Act and Companies Act came into force.

The Unit Trust of India, the country's biggest mutual fund was a major buyer in index-linked stocks, helping them to stage a sharp rally.

BANGKOK edged higher in subdued trading ahead of today's policy statement from the finance ministry. The SET index closed up 0.09 at 872.76.

Few surprises were expected today from Amnuay Viravan, the finance minister, but with the market hovering just above a 42 month low investors were not taking chances, said brokers.

SYDNEY closed higher in thin trading as investors wound down positions ahead of Christmas. The All Ordinaries index added 19.8 to 2,336.3.

News Corp edged up a cent to A$6.44. News that the Brierley group had acquired 25 per cent of the John Fairfax media group came after market hours.

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | FRIDAY DECEMBER 13 1996 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | THURSDAY DECEMBER 12 1996 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (77) | 211.11 | -0.9 | 188.76 | 151.90 | 169.74 | 176.89 | -1.0 | 4.31 | 213.00 | 190.46 | 152.62 | 170.97 | 178.69 | 224.61 | 187.53 | 191.86 |
| Austria (24) | 185.37 | -1.1 | 165.76 | 133.38 | 149.05 | 148.97 | -0.9 | 1.92 | 187.36 | 167.53 | 134.25 | 150.36 | 150.31 | 195.04 | 168.36 | 171.58 |
| Belgium (27) | 221.31 | -1.0 | 197.89 | 159.24 | 177.95 | 173.86 | -0.9 | 3.84 | 223.52 | 199.86 | 160.16 | 179.41 | 175.46 | 229.11 | 203.64 | 204.55 |
| Brazil (28) | 180.03 | 0.1 | 160.97 | 129.54 | 144.75 | 344.24 | 0.3 | 1.78 | 179.83 | 160.80 | 128.86 | 144.34 | 343.14 | 189.70 | 131.21 | 141.01 |
| Canada (116) | 183.76 | -0.5 | 164.31 | 132.22 | 147.75 | 181.10 | -0.2 | 2.00 | 184.80 | 165.08 | 132.27 | 148.17 | 181.44 | 198.24 | 144.36 | 148.95 |
| Denmark (30) | 334.25 | -1.0 | 298.87 | 240.51 | 268.76 | 268.92 | -0.9 | 1.71 | 337.65 | 301.91 | 241.93 | 271.01 | 271.47 | 340.41 | 281.10 | 285.06 |
| Finland (24) | 234.95 | -2.2 | 210.08 | 169.05 | 188.91 | 228.00 | -2.1 | 2.20 | 240.15 | 214.73 | 172.07 | 192.76 | 232.79 | 244.11 | 171.73 | 208.32 |
| France (93) | 204.12 | -0.3 | 182.51 | 146.87 | 164.12 | 167.19 | -0.3 | 2.92 | 204.73 | 183.06 | 146.69 | 164.33 | 167.74 | 212.49 | 171.33 | 171.33 |
| Germany (59) | 183.73 | -1.8 | 164.28 | 132.20 | 147.73 | 147.73 | -1.6 | 1.64 | 187.13 | 167.32 | 134.08 | 150.20 | 150.20 | 189.88 | 161.26 | 162.20 |
| Hong Kong (59) | 486.44 | -2.1 | 434.95 | 350.01 | 391.12 | 483.35 | -2.1 | 3.22 | 497.11 | 444.48 | 356.19 | 399.00 | 493.69 | 513.18 | 372.58 | 379.50 |
| Indonesia (27) | 222.65 | -0.7 | 199.08 | 160.20 | 179.02 | 321.39 | -0.7 | 1.61 | 224.19 | 200.46 | 160.64 | 179.96 | 323.57 | – | – | – |
| Ireland (16) | 310.29 | -0.8 | 277.44 | 223.26 | 249.49 | 263.29 | -0.7 | 3.48 | 312.80 | 279.69 | 224.13 | 251.07 | 265.07 | 321.14 | 250.17 | 252.91 |
| Italy (59) | 79.11 | -0.2 | 70.74 | 56.92 | 63.61 | 90.24 | -0.3 | 2.30 | 79.28 | 70.89 | 56.81 | 63.64 | 90.47 | 84.83 | 69.68 | 70.06 |
| Japan (480) | 133.80 | -1.1 | 119.64 | 96.28 | 107.59 | 96.28 | -0.6 | 0.80 | 135.23 | 120.91 | 96.89 | 108.54 | 96.89 | 164.66 | 133.80 | 152.23 |
| Malaysia (107) | 581.94 | -1.2 | 520.33 | 418.72 | 467.91 | 565.57 | -1.2 | 1.10 | 588.99 | 526.64 | 422.03 | 472.75 | 572.25 | 607.65 | 477.30 | 480.81 |
| Mexico (27) | 1153.32 | -1.4 | 1031.23 | 829.85 | 927.33 | 9992.01 | -1.2 | 1.10 | 1169.48 | 1045.69 | 837.97 | 938.69 | 10112.23 | 1325.65 | 936.49 | 950.38 |
| Netherland (19) | 313.78 | -0.9 | 280.56 | 225.77 | 252.29 | 248.51 | -0.7 | 2.97 | 316.60 | 283.08 | 226.85 | 254.12 | 250.22 | 328.12 | 265.24 | 266.14 |
| New Zealand (16) | 91.25 | -0.2 | 81.59 | 65.66 | 73.37 | 69.03 | -0.6 | 3.99 | 91.44 | 81.76 | 65.52 | 73.39 | 69.43 | 94.40 | 75.94 | 78.85 |
| Norway (35) | 279.39 | -1.0 | 249.81 | 201.03 | 224.64 | 245.61 | -0.8 | 2.06 | 282.24 | 252.36 | 202.23 | 226.54 | 247.70 | 286.15 | 222.24 | 227.35 |
| Philippines (22) | 200.54 | -0.3 | 179.31 | 144.29 | 161.24 | 262.79 | -0.3 | 0.63 | 201.07 | 179.78 | 144.07 | 161.39 | 263.46 | – | – | – |
| Singapore (43) | 409.00 | -0.7 | 365.71 | 294.29 | 328.86 | 263.74 | -0.7 | 1.02 | 411.87 | 368.27 | 295.12 | 330.59 | 265.53 | 465.21 | 371.28 | 391.88 |
| South Africa (44) | 306.12 | -1.8 | 273.72 | 220.26 | 246.14 | 316.71 | -2.1 | 2.49 | 311.13 | 278.19 | 222.93 | 249.73 | 323.53 | 437.78 | 308.12 | 389.73 |
| Spain (37) | 198.92 | -0.3 | 177.86 | 143.13 | 159.94 | 196.11 | -0.3 | 3.06 | 199.62 | 178.46 | 143.03 | 160.22 | 196.63 | 202.22 | 158.03 | 158.03 |
| Sweden (48) | 404.19 | -1.0 | 361.41 | 290.83 | 324.99 | 407.45 | -1.0 | 2.09 | 408.38 | 365.15 | 292.62 | 327.79 | 411.71 | 416.67 | 294.19 | 304.47 |
| Switzerland (37) | 237.38 | -0.7 | 212.25 | 170.80 | 190.86 | 193.65 | -0.5 | 1.53 | 238.92 | 213.63 | 171.20 | 191.77 | 194.56 | 254.34 | 219.29 | 228.29 |
| Thailand (45) | 107.28 | -0.6 | 95.92 | 77.19 | 86.26 | 106.45 | -0.6 | 3.22 | 107.94 | 96.52 | 77.35 | 86.64 | 107.12 | 193.95 | 107.28 | 162.56 |
| United Kingdom (213) | 264.87 | -0.5 | 236.83 | 190.58 | 212.97 | 236.83 | -0.5 | 4.01 | 266.07 | 237.90 | 190.64 | 213.56 | 237.90 | 273.93 | 222.43 | 225.46 |
| USA (623) | 296.59 | -0.1 | 265.20 | 213.41 | 238.48 | 296.59 | -0.1 | 2.02 | 296.99 | 265.55 | 212.80 | 238.38 | 296.99 | 307.82 | 243.34 | 253.50 |
| Americas (794) | 271.00 | -0.2 | 242.31 | 194.99 | 217.90 | 227.97 | -0.1 | 2.01 | 271.42 | 242.69 | 194.48 | 217.86 | 228.29 | 281.50 | 222.53 | 230.76 |
| Europe (720) | 227.46 | -0.7 | 203.39 | 163.67 | 182.89 | 196.33 | -0.7 | 2.86 | 229.16 | 204.89 | 164.19 | 183.93 | 197.66 | 234.56 | 194.31 | 195.82 |
| Nordic (137) | 346.57 | -1.2 | 309.89 | 249.37 | 278.66 | 304.84 | -1.1 | 2.05 | 350.71 | 313.58 | 251.29 | 281.50 | 308.37 | 355.51 | 261.19 | 274.52 |
| Pacific Basin (875) | 151.45 | -1.1 | 135.42 | 108.97 | 121.77 | 109.97 | -0.8 | 1.28 | 153.17 | 136.96 | 109.75 | 122.94 | 110.87 | 177.01 | 151.45 | 162.51 |
| Euro-Pacific (1595) | 183.02 | -0.9 | 163.65 | 131.69 | 147.16 | 142.54 | -0.7 | 2.15 | 184.73 | 165.18 | 132.36 | 148.27 | 143.60 | 191.51 | 175.04 | 176.28 |
| North America (739) | 289.78 | -0.1 | 259.11 | 208.51 | 233.00 | 288.99 | -0.1 | 2.02 | 290.22 | 259.49 | 207.95 | 232.94 | 289.35 | 301.15 | 237.58 | 248.93 |
| Europe Ex. UK (507) | 202.63 | -0.8 | 181.18 | 145.80 | 162.93 | 171.57 | -0.8 | 2.32 | 204.48 | 182.84 | 146.52 | 164.13 | 172.96 | 209.70 | 174.91 | 175.56 |
| Pacific Ex. Japan (395) | 303.99 | -1.4 | 271.81 | 218.73 | 244.43 | 262.40 | -1.4 | 2.84 | 308.19 | 275.57 | 220.83 | 247.37 | 266.07 | 317.82 | 257.81 | 261.40 |
| World Ex. US (1810) | 184.86 | -0.9 | 165.29 | 133.01 | 148.64 | 147.64 | -0.7 | 2.14 | 186.56 | 166.81 | 133.67 | 149.74 | 148.73 | 193.47 | 176.03 | 177.39 |
| World Ex. UK (2220) | 215.76 | -0.6 | 192.92 | 155.25 | 173.48 | 185.72 | -0.5 | 1.87 | 217.01 | 194.04 | 155.50 | 174.19 | 186.60 | 224.89 | 198.13 | 198.32 |
| World Ex. Japan (1953) | 265.21 | -0.5 | 237.13 | 190.82 | 213.24 | 250.30 | -0.4 | 2.38 | 266.41 | 238.21 | 190.89 | 213.83 | 251.36 | 274.88 | 224.52 | 226.04 |
| The World Index (2433) | 219.97 | -0.6 | 196.68 | 158.27 | 176.87 | 190.42 | -0.5 | 2.09 | 221.22 | 197.80 | 158.61 | 177.58 | 191.32 | 228.97 | 198.47 | 200.73 |

CONSTITUENT CHANGE WITH EFFECT 17/12/96: Deletion: T.N.T. (Australia). Latest prices were unavailable for this edition.